## BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

**Budget Sun** 

FEBRUARY 1956

PROBLEMS AHEAD

Legislation

Monetary Policy

Automation

Credit Policy

S280-Billion Question

(pages 3 and 38)



## BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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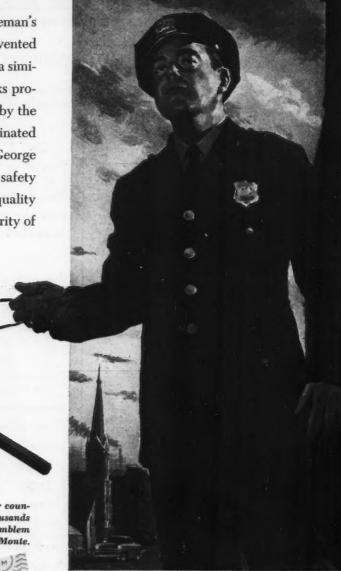
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#### Always on duty...

Catching criminals is not the policeman's only duty . . . many crimes are prevented simply by his guarding presence. In a similar way, safety paper for bank checks provides a guard against fraud . . . and by the warning it gives has virtually eliminated check-tampering on these papers. George La Monte pioneered the invention of safety paper . . . and for 85 years La Monte quality has been the first choice of the majority of the country's leading banks.



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## Just a Minute

#### The Bank Reports

NINETEEN FIFTY-FIVE seems to have been good to the banking business. We'd seen only a sampling of the reports as this was written, but those at hand indicated a general rise in operating earnings, due mainly to higher rates on loans and the larger credit volume.

Increases in deposits and declines in Government security holdings reflected the business boom and the banks' need for funds to help finance it.

Newspaper commentators in New York City observed that the banks there had had one of their best earnings years.

#### That Take-Home Flavor

As we suggested last month, "for years Banking has had a *take-home* flavor." We plan to intensify it during 1956.

One step is this month's first appearance of "Family Dollar News," appearing on the tinted paper. The other is "Banks and People," which also makes its debut.

The "News" pages carry along the motif of "The Family Dollar," published with the magazine last month and scheduled to appear again in March, June, September, and December.

"Banks and People" comprises articles most easily typed as "human



"Do I look bad to you, dear? Mr. Jenks at the bank says I'm overdrawn"

interest"—stories accenting the best in public relations. Incidentally, the bank activities thus reported are highly newsworthy; one of them made the nation's front pages. And another inspired a poem.

#### A Chef and a Banker

EVERYTHING happens in New York,

# Budget Sun The

UNITED PRESS

#### THIS MONTH'S COVER

Federal Budget Director Rowland R. Hughes (seated, right) with members of his staff as they studied the Nation's income and outgo data, prior to the President's Budget Message of January 16. Seated beside Mr. Hughes is Deputy Director Percival F. Brundage. Standing, left to right, are William F. McCandless, Assistant Director for Budget Review, Assistant Director Percy Rappaport, and Assistant Director Ralph W. E. Reid. For a discussion of Federal budget matters, see page 38

#### BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

#### The Staff

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BANKING is a member of the Audit Bureau of Circulations, the Magazine Publishers Association, Inc., and the Society of Business Magazine Editors



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BANKING—Vol. XLVIII, No. 8. Published monthly
at \$501 Chestnut Street, Philadelphia 39, PaCopyright 1956 by American Bankers Association, Merle Selectman, Executive Manager, 12
East 36th Street, New York 16, N. Y., U. S. A.

Send Editorial, Subscription and Advertising Communications to 12 East 36th St., New York 16, N. Y., U.S.A. Chicago Office (John J. McCann), 33 South Clark Street, Chicago 3, Ill.; Washington office, 730 Fifteenth Street, N.W. Subscriptions: \$5.00 year, 19; Canada, \$5.50; foreign, \$6.00; single copies, 50 cents. Entered as second-class matter at the Post Office, Philadelphia, Pa., under the Act of March 3, 1879. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

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sooner or later. This time it was a short-order cook having a banker to lunch in the kitchen of a Grand Central Station restaurant.

The chef was Nick Sklyros, the banker Richard S. Perkins, vice-chairman of The First National City Bank. Nick, born in Greece, came to this country 35 years ago and is still so appreciative of his blessings that each year he contributes a week's salary to the Greater New York Fund whereof Mr. Perkins is campaign chief.

Hearing of Nick's generosity, Mr. Perkins asked him to lunch. But the intended guest would have none of it: "No, no—I treat you!"

So into the kitchen one afternoon went the vice-chairman of First National City. Nick fixed an omelet for his guest, swordfish for himself.

"New York makes for good," he told the reporters as he groomed his white mustache.

#### Thanks, phil

The acknowledgement is to William A. Philpott, Jr., secretary of the Texas Bankers Association, for a copy of his annual collection of essays that have appeared in the association's *Record* during the last 27 years.

The current compilation is titled "Well, You Sure Don't Look It," which is certainly a pleasant, tactful gesture on phil's part. (Like Don Marquis' famed insect, archie, Mr. P. puts his name in lower case.)

As usual, the booklet is a jolly, well-written collection of prose and



"Thanks for this birthday present, dear. Can it be exchanged for a larger size?"

jingles. It's dedicated to parents and grandparents with the author's hope that he will some day find "a whole-some household, where children are seen, seldom heard, and never made the central attraction."

#### **Amendments Campaign**

Several bankers are on the advisory council of the Campaign for the 48 States which is promoting five amendments to the Constitution. The objectives are: "To limit and restrict the centralized powers of the Federal Government; to strengthen the sovereignty of the individual states; and to protect the solvency of the nation itself."

The campaign got under way in Memphis and is headed by Robert B. Snowden of that city, as chairman. We're informed that the council membership includes: Vance J. Alexander, Union Planters National Bank, Memphis; William B. Pollard,

(CONTINUED ON PAGE 6)

"In the last three weeks, Mrs. Ferris, you overdrew 12 times. Frankly, the paper work is getting us down. How would you like a loan?"

## ROWING

#### STATEMENT OF CONDITION

DIRECTORS AND ADVISORY DIRECTORS

December 31, 1955

Cash on Hand and Due from Banks . . . . . \$339,562,399.10

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United States					4			
Government Obligations .		\$	88,5	87	,03	6.8	19	
Public Housing								
Authority Obligations								
(Fully Guaranteed)			4,8	45	,85	0.4	18	
State, County, and								
Municipal Bonds			18,9	15	.14	0.3	8	112,348,027.75
Stock in Federal Reserve Bank								1,500,000.00
Other Bonds								3,522,227.27
Bills of Exchange and Commod		L	oans					11,390,783.06
Loans and Discounts						Ĭ		362,054,715.53
Income Accrued				•	•	•		2,136,289.96
Letters of Credit and Acceptance							•	5,182,599.84
Banking House and Equipment		•		•	•	•	•	7,941,748.91
Other Assets		•		•		•		129,950.57
Other Assets								129,930.31
								\$845,768,741.99
LIABILITIES								
LIABILITIES								
Capital Stock		\$	22,0	00	.00	0.0	00	
Surplus Fund			28,0	00	.00	0.0	00	
Undivided Profits			4.5	44	89	3.7	2	\$ 54,544,893.72
Reserved for Contingencies .							-	5,398,381.53
Reserved for Taxes, Etc								4,679,551.26
Deferred Income		•	•		•	•		1,894,272.11
Letters of Credit and Acceptant	•			•				5,182,599.84
DEPOSITS:	ces			•	•	•	•	3,102,377.04

#### For the 80th Straight Year Results Tell Us...

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Ben Wooten

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Vice President
Braniff International Airways

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#### (CONTINUED FROM PAGE 4)

National Bank of Commerce, Memphis; J. V. Montedonico, State Savings Bank, Memphis; Norfleet Turner, First National Bank, Memphis; Merrill D. Arnold, Fidelity Bankers Trust Company, Knoxville; and Ben E. Young, National Bank of Detroit.

The Campaign, described as "an ambitious experiment in non-partisan politics," is promoting these amendments: Byrd-Bridges, Reed-Dirksen, Bricker, Reed-Walter, and Mundt-Coudert.

A five-year schedule of action has been laid out. The program is being conducted through taxpayers' associations and public expenditures councils in each state, and is supported by membership contributions.

#### Everybody's \$163.15

Each person in the U. S. A. would have that amount if all the currency and coin now in circulation were divided among all the people, says a little booklet just published by the Federal Reserve Bank of Richmond.

Entitled "Readings on Money," the pamphlet contains revisions of articles originally appearing in the bank's Monthly Review. Their author is R. Pierce Lumpkin, financial economist of the Fed, and their intended readers are students of economics, money and banking, and related subjects.

#### A Commentary on Savings

THE upper grades of the Winchester (Ill.) elementary school had an essay contest on "Why Save?" (CONTINUED ON PAGE 11)

"These are some of my recent seeretaries"



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## Arizona's Dynamic Decade

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and for "ARIZONA'S BANK"..

Reso	urces
Depo	sits
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Population	594,000	1,040,000
Employment (Non-Agr).	125,000	225,000
Personal Income	\$654,000,000	\$1,600,000,000
Retail Sales	384,000,000	1,200,000,000
Crop Income	90,000,000	260,000,000
Livestock Income	52,000,000	80,000,000
Manufacturing Output .	105,000,000	350,000,000
Mining Output	96,000,000	360,000,000
Tourist Expenditures	40,000,000	175,000,000

1945

1955 1945 \$208,000,000 \$398,000,000 363,000,000 196,000,000 200,000,000 24,000,000 5,800,000 889 4,856 660 1,350 21 37

VALLEY NATIONAL BANK

\$362,883,654,70

3,592,802,78 4.147,725,13 1.407.901.34 1,479,290,39

24.329,110.69

. . . . . \$397,840,485.03

Liabilities

1955

#### STATEMENT OF CONDITION—December 31, 1955

Resources	Liabilities
Cash and Due from Banks       \$74,706,482.08         U.S. Government Bonds       83,095,249.98         Other Bonds and Securities       33,423,920.72         Loans (Federally Insured or Guaranteed)       53,313,733.23	Deposits
Other Loans and Discounts 143,011,936.05 Accrued Interest Receivable 1.684.085.40	Other Liabilities
Accrued Interest Receivable . 1,684,085.40 Customers' Liability on L/C . 1,407,901.34 Bank Buildings	Capital Funds: Capital \$ 6,000,000.00
Furniture and Fixtures 1,482,617.15	Surplus 15,000,000.00 Retained Earnings 3.329,110.69
Other Resources	TOTAL LIABILITIES

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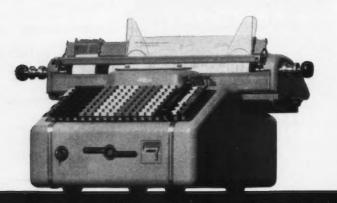
Operators like it because they can learn to master it so easily, and because it does not tire them with unnecessary motions or details to remember.

Bank officers like it because it's fast, accurate and versatile—can switch from job to job at the turn of a knob—and because it offers these distinctions.

Bank officers like it because it's fast, accurate and versatile—can switch from job to job at the turn of a knob—and because it offers these distinctive advantages, too: automatic check count, automatic register totaling, date lock, list-posting tape and activity counter.

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## BOTH like the BURROUGHS SENSIMATIC

bank bookkeeping machine



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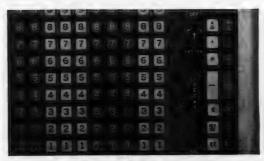
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### "HAS ANYONE TALKED TO THE PLUMBER?"

That's what one of our maintenance men wanted to know recently during a new business campaign at the bank. Nobody had talked to the plumber who was doing some work for us at the time, so our maintenance man did. He sold our banking service, too . . . the plumber opened an eight-thousanddollar checking account with us!

In the campaign we were running, employees who brought in new business won rewards in the form of merchandise-toasters, radios, bicycles and the like. We gave a lot of prizes . . . and the employees, in turn, gave us a lot of surprises, especially as to who among them could sell bank services. As we mentioned, our maintenance man proved to be a star salesman. So did a quiet young man in one of our country offices. One of our young girls was right up there, too.

But the really surprising thing was that practically everyone showed they could do it. Over 80 per cent of our employees made sales! And some are still doing it even though the campaign is over.

At a conference recently, we told some of our Correspondent Bank friends about our experience. Although we are not the first bank to run such a campaign, there haven't been too many of them. So we found our friends eager for information about this new way of selling bank services. Perhaps you would like to know more about it, too. Write to us, then. We would be happy to share our experience with you because it would be one more way to demonstrate our belief that Correspondent Bank relationships can and should go beyond merely the routine.

#### MELLON NATIONAL BANK AND TRUST COMPANY

PITTSBURGH

CAPITAL \$60,100,000

SURPLUS \$180,000,000

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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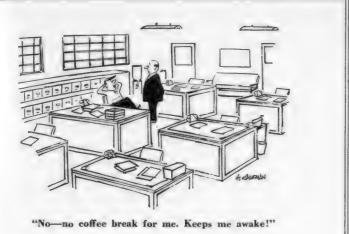
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ronsor of the project was Mrs.

y C. Rockwood, president of The
Condit & Grout National Bank,
nchester, and a member of the
School Savings Banking Committee,
A.B.A.

We've seen the winning essays, and quote from the commentary submitted by Jeanne Coultas, Grade 6:

You should start saving when you are small, and keep on saving through the years to come. In that way you will always have money when you need it most.

For instance when you get married you may not be able to find a job. You will have money to live on until you find a job.

When you have children you will have to have money in order to feed and clothe them.

You may have some kind of accident. You will have money to pay for the doctor or hospital bills.

If you save you may never be in debt.

Why don't you go to the bank today and start a saving account?

#### Seven Tips to Borrowers from One of Them

An article in *Progressive Grocer* by Associate Editor Joseph J. Trout includes these suggestions on how food merchants can present their story to the bank:

"(1) Establish a sound credit reputation: pay all wholesaler bills promptly, keep bank accounts in good order, pay all loans promptly.

"(2) Keep business records in good shape.

"(3) Make yourself known to

bank officials: ask them for business advice; make follow-up visits to show them improvements.

"(4) Make a thorough study of potential trading area, its development possibilities.

"(5) Present a sound, well developed picture of your need for financing to the bank.

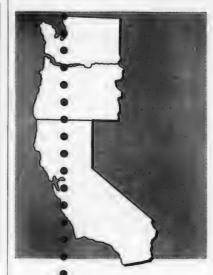
"(6) Present all the facts, all the documentation you can.

"(7) Don't let one bank's turndown deter you."

Those points sum up the advice offered by Frank Hedges of Georgetown, Mass., the independent supermarket owner whose success story is the subject of Mr. Trout's article, "How to Locate and Finance a New Market." Mr. Hedge's store was financed by the nearby Haverhill National Bank. A picture of him conferring with S. A. Kimball, the loan officer, is captioned: "Know your banker so that he can know you. Hedges made a habit of dropping in to see Mr. Kimball before he asked for financing; he still drops in to keep the bank posted on progress-after all, he may want financing for a second store one day."

#### Contest Draws 219,000

More than 219,000 men, women and children completed the sentence "I prefer to save in a savings bank because . . ."—and 313 of them shared in the \$25,000 cash awards given by the Savings Banks Association of the State of New York for the best entries. First prize, \$10,000, went to Joseph H. Lipschutz of New York City, a patent attorney and a bachelor.



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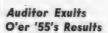
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Correspondents all over the world

How Long Should Records be Kept? this FREE booklet tells Vou availableour Manual of Record Storage Practice with Retention Periods for general business and banks. It tells a simplified story of record procedure and an easy-to-do storage plan for inactive records. VALUABLE GUIDE FOR EVERY BUSINESS. For your FREE copy, clip this ad to your letter-head and mail to:

BANKERS BOX CO., Dept. B-2 720 S. Dearborn St., Chicago 5, Illinois The contest was judged by a company specializing in such matters. It does not make public the winning entries.

Mr. Lipschutz, in accepting his check from David T. Rowe, vicepresident of the association, said that his 93-year-old mother had opened her savings account in 1890 and had "never lost a dollar of principal or missed a payment of interest." He and she were agreed, he added, "that the reason for this lies in the boards of trustees of the savings banks, composed as they are of successful businessmen and other leaders of the community who give their time and talents unselfishly without compensation to protect the savings of others. We should like to pay this small tribute to these trus-



RECORD gains made by Union Bank & Trust Co. of Los Angeles in 1955 inspired Auditor Walter B. Hill to supplement the official pamphlet report with a rhymed summary of the year's achievements. Here's a sample:

Deposits, as you will observe, Are moving in an upward curve. The total made a yearend high;



"They just don't make ten dollar bill like they used to!"

It seems they're reaching for the

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Three hundred million they are nearing.

(Result of "Money-Engineering.")

Term Savings gains were sizable, Which really's not surprisable— The raise in interest rates, you know, Made customers bring in more dough.

Net earnings hit a million four.

Next year—who knows?—they may
be more....

#### BY THE WAY ...

We are not prejudiced against a two-dollar bill as it will buy a dollar's worth of groceries any time.

Sometimes a girl marries a dreamer and finds he is a sleeper.

Sometimes when the French franc looks at the German mark, it must wonder who won the last war.

The only social gulf between Americans is in the cost of their cars and the length of their mink coats.

It's surprising how a man's head will grow without nourishment.

French prime ministers never succeed. They merely succeed each other.

One way to reduce is to fill a shovel with wet snow and throw it

over the shoulder 781 times in rapid succession.

Whether a pedestrian gets an even break depends on just how he was hit.

No Congressman is left when business conditions are right.

Homes never before were so comfortable and young people so seldom in them.

Out in Los Angeles we understand the children learn subdivision in school.

One wonders whether this nation can endure half drivers and half dodgers.

What we want on our next car is power-driven parking.



#### THE DETROIT BANK

#### Statement of Condition

**December 31, 1955** 

\*

#### RESOURCES

CASH AND DUE FROM BANKS						\$168,446,331
United States Government Obligations						320,679,677
STATE AND MUNICIPAL SECURITIES						74,647,054
CORPORATE AND OTHER SECURITIES						5,066,015
LOANS AND DISCOUNTS		\$146	5,7	76,0	)29	
REAL ESTATE LOANS		113	3,9	76,2	261	260,752,290
FEDERAL RESERVE BANK STOCK					_	847,500
BANK PROPERTIES AND EQUIPMENT						5,221,688
ACCRUED INTEREST AND PREPAID EXPENSE.						3,410,738
CUSTOMERS LIABILITY ON LETTERS OF CREDIT	r.				٠	133,996
OTHER ASSETS					٠	113,451
TOTAL						\$839,318,740

\*

#### LIABILITIES

DEMAND DEPOSITS:												
Individuals, Corpo	RA?	rioi	NS A	ND	OT	HEF	RS	•				\$411,211,263
U. S. GOVERNMENT									•			11,695,736
OTHER PUBLIC FUNI	os							•				22,131,554
												\$445,038,553
SAVINGS DEPOSITS .				٠		•	•		•			347,716,260
TOTAL DEPOSITS .									•			\$792,754,813
UNEARNED INTEREST												2,367,988
ACCRUED EXPENSES AN	ND '	TA2	KES		٠.							3,278,760
LIABILITY ON LETTERS	OF	CF	REDI	IT								133,996
CAPITAL STOCK								\$	8,2	50,0	000	
SURPLUS									20,0	00,0	000	
UNDIVIDED PROFITS									10,6	19,3	31	
GENERAL RESERVES									1,9	13,8	152	\$ 40,783,183
TOTAL		٠	٠									\$839,318,740

United States Government Securities in the foregoing statement with a par value of \$26,520,000 are pledged to secure public and other deposits where required by law, including deposits of the State of Michigan amounting to \$5,388,354.

DIRECTORS .

WALKER L. CISLER

President
The Detroit Edison Co.

JOSEPH M. DODGE Chairman of the Board

CHARLES H. HEWITT

Executive Vice-President

RALPH HUBBART

Chairman of the Board

Allied Products Corp.

JAMES McMillan

President and Treasurer

Boyer-Campbell Co.

H. GRAY MUZZY
Chairman of the Board
Federal-Mogul-Bower
Bearings, Inc.

RAYMOND T. PERRING
President

HARRY L. PIERSON

Chairman of the Board

Detroit Harvester Co.

CLEVELAND THURBER
Senior Partner
Miller, Canfield, Paddock
Stone

HERBERT B. TRIX

President

W. M. Chace Co.

C. DAVID WIDMAN
Director
The Murray Corporation
of America

MAIN OFFICE . GRISWOLD AT STATE . DETROIT, MICHIGAN

42 Offices Throughout the City
MEMBER OF FEDERAL DEPOSIT INSURANCE CORPORATION

OUR SECOND CENTURY OF SERVICE

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#### How to make your checks worth more

SOMETHING as easy to do as having your checks printed on Hammermill Safety paper can have a positive effect on your public relations. Every time a customer writes a check, the Hammermill surface mark is there to remind him that you're overlooking nothing to make your banking services completely satisfactory. Hammermill is the best-known name in paper.

You're protecting that good impression, too. Hammermill Safety paper's specially sensitized surface shows up the tiniest effort at erasure or alteration, safeguards both deposits and your reputation.

Next time you order checks, ask to have them printed on the safety paper that costs you nothing extra, but gives you so much more. Ask your printer or bank lithographer for checks on Hammermill Safety paper. Hammermill Paper Company, Safety Paper Division, Erie, Pa.



### Reports to Shareholders

Our colleagues in the banking business insist that a prospective borrower provide a complete financial statement. In trust operations painstaking research and study support each investment decision; yet bank financial statements available to present or prospective investors are, as a general thing, insults to the intelligence of the person for whom they are written.

The statement of condition alone shows little or nothing, and can be "window dressed" in order to produce a "good" picture in terms of the wholly inaccurate standards of deposit or resource level. Operating and income figures are usually lumped into meaningless aggregates and buried in the executive verbiage of the president's statement. The more progressive banks may show interest income, other income, expense, taxes, and net profit, but neglect to supply essential data on the source of income and the disposition of expense.

#### The Data Are Available

I suppose the answer to "Why?" would be that too much work is involved. The figures desired, however, are being prepared anyway. Management needs them to do its job. Supervisory authorities require them periodically. Yet the stockholder (unless he is an insider) sees neither of these reports.

It would seem to be high time that all bank management recognize the need for investor interest in bank stocks. Competition for venture capital in days of high taxes is active and vigorous and banking will have to work for its share. Investment in bank stocks can be justified on the merits of the shares but unless more investor-designed annual and interim reports are released, the investment is going to be limited to the few insiders who are in a position to evaluate present performance and future prospects

Let us recognize and meet this challenge lest we lose the right to do so.

ROBERT H. BUKOWSKI Chicago, Ill.



February 1956

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Torture Test proves Value of

The control of the co

## United States Steel Homes

## Proves that U. S. Steel Homes are the <u>Strongest</u> wood homes money can buy!

HERE, YOU SEE 3,000 POUNDS OF SOLID CONCRETE dangling from a 4' x 8' wall panel of United States Steel Homes. This weight is far greater than the average load encountered anywhere in the United States, yet the panel can support this excess load indefinitely. Numerous tests like this prove the value and the strength of prefabricated United States Steel Homes . . . prove that the walls and roofs of these wood homes are as much as 20 times stronger than they have to be to withstand maximum wind and snow loads anywhere in the United States.

#### THE MAGIC OF PREFABRICATION

Modern prefabricating techniques make United States Steel Homes, not only well built, but also well designed. The cost of good, sound architectural planning can be distributed over a whole line of homes. The cost of this extra value for an individual home is negligible.

Prefabrication also makes possible giant, nationwide sales promotions keyed to national advertising. Continued promotion makes these homes popular now and builds the name and prestige of United States Steel Homes, Inc. This, coupled with good design, assures high resale value for years to come.

## THE DEALER: A SOUND BUSINESSMAN

You can have confidence in the builders who sell these quality homes. Each of them is carefully chosen—a hardworking local businessman who knows home building. And he builds only homes tested for acceptance in his own community and in other parts of the United States.

He has, always, the active assistance of United States Steel Homes, Inc. to help him. He gets expert advice on land planning, selling, and any building problem.

#### A GOOD INVESTMENT

A mortgage on a United States Steel Home is *safe*. The home is good; its resale value will stay high. It is built by a reputable builder. It is manufactured by United States Steel Homes, Inc. Write for complete information.



This department is compiled by THEODORE FISCHER of BANKING'S staff.

#### Saving S

RS. GREGORY LA TRAILLE, Phoe-M nix, Ariz., housewife, wrote a jingle which won first prize in a soap company contest. Her prize, a producing oil well or \$25,000. She took the money, banked it at Valley National Bank. The bank was then inspired to do a jingle of its own: "A dollar in the bank is worth two in the well; recorded in a \$aving\$ book, it has such a Solid look."

EVERETT D. REESE, formerly president, has been named chairman of the board of the Park National Bank of Newark, Ohio, and continues as the bank's chief executive officer. He's a past president of the American Bankers Association. John W. ALFORD, who has been with the bank since graduation from DePauw University in 1935, was named presi-

COMMERCE TRUST COMPANY, Kansas City, Mo., has announced that it will hold a conference of bank correspondents on Friday, March 9.

EDWARD E. BROWN was reelected chairman and JAMES B. FORGAN vicechairman at The First National Bank of Chicago. Both having passed the normal retirement age expressed a desire to cease to be regular salaried officers. Both will maintain offices at the bank, however, and will be available for consultation and

## Heard Along











Robert M. Pike

James W. Aston

D. S. Langsdorf

G. H. Chittenden

advice. Mr. Brown has been with the bank for 45 years; Mr. Forgan, 46 years.

ROBERT M. PIKE has been named secretary of Anglo California National Bank, San Francisco, succeeding the late RAYMOND H. HOLMBERG.

JAMES W. ASTON has been promoted to the new post of executive vice-president of the Republic National Bank of Dallas. As executive vice-president, Mr. ASTON will work closely with President FRED F. FLOR-ENCE. He's a former City Manager of the City of Dallas, and joined the bank in 1945 as a vice-president. He was officer in charge of construction and was instrumental in effecting completion of the bank's new

E. H. FITZ was named vice-president in charge of bank operations, a new department at the First National Bank of Nevada, Reno. E. THAYER BIGELOW was appointed cashier-comptroller.

D. S. LANGSDORF was promoted to vice-president of Bank of America, San Francisco.

GEORGE H. CHITTENDEN advanced to vice-president of J. P. Morgan & Co., Incorporated, New York.

#### "Man of the Year"

IETRICH SCHMITZ, president of the Washington Mutual Savings Bank, Seattle, was named "Man of the Year" by the Seattle Real Estate Board. Announcement of his selection was made at a meeting of the Seattle Chamber of Commerce just before Christmas. Actual presentation of a plaque was made at Seattle's First Citizen Banquet on January 24.

Thirty-two banks have been certified as "excellently managed" by the American Institute of Management. Two of them received the certification for the sixth consecutive year: CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COM-PANY, Chicago, and MELLON NA-TIONAL BANK AND TRUST COMPANY, Pittsburgh.

First National Bank and Trust Co., Tulsa, Okla., has elected three new vice-presidents. They are J. L. ROBERTSON, agricultural representative and commercial loan officer; J. B. Johnson, Jr., head of the instalment loan department; and M. H.

In new assignments at Security-First National Bank of Los Angeles, from the left: Paul D. Dodds, senior vice-president; Chester A. Rude, vice-chairman in addition to chairman of executive committee; James E. Shelton, chairman of the board; Lloyd Austin, president; C. T. Wienke, senior vice-president



## **Main Street**





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J. B. Bridgwood

JOHNSON, in charge of collections, exchange, and foreign department.

JOHN B. BRIDGWOOD and CHARLES CAIN, JR., were advanced to executive vice-presidents at Chase Manhattan Bank, New York.

THE PHILADELPHIA NATIONAL BANK officially opened and dedicated its new main banking home at Broad and Chestnut streets on January 16. Regularly scheduled 30 - minute guided tours were conducted through the six floors and two mezzanines of the new block-long building. The new building boasts Philadelphia's largest unobstructed bank lobby. Opening day ceremonies were climaxed by the first flashing to the new weather sign atop the building.

**Century of Progress** 

In celebration of its centennial, the ROCKVILLE (Ind.) NATIONAL BANK has published a silver-covered historical booklet, well illustrated, entitled "A Century of Progress." It gives the bank's story "as mirrored in the lives and times of the men and women of Parke County who have been its customers and friends during its one hundred years of life."

MALCOLM BELL, JR., has advanced to vice-president and trust officer of Liberty National Bank and Trust Company of Savannah, Ga.

MARY LEONESIO was elected an assistant vice-president of Security

National Bank of Reno, Nev. An announcement discloses that Miss Leonesio has reached the highest rank of any woman bank officer in the state.

Manufacturers Trust Company, New York, has opened an office in Frankfurt am Main, Western Germany. J. H. Jebsen is representative in charge. This brings to four the total of Manufacturers' representative offices, the others being London, Tokyo, and Rome.

#### New Bank in Oregon

The Peoples Bank of Oregon, Beaverton, a local independent bank, opened on January 9 in its own new building, and with capital and surplus of \$120,000 and \$50,000 respectively. Officers are: HAROLD J. Graves, president; John S. Bally, vice-president; G. F. Abts, vice-president and cashier; Leonard C. Orton, assistant cashier.

HARRY BAUMEISTER, RAYMOND I. BUNDRICK, and CHARLES J. KIPP advanced to vice-presidencies at The Lincoln Savings Bank, Brooklyn, N. Y. 1000

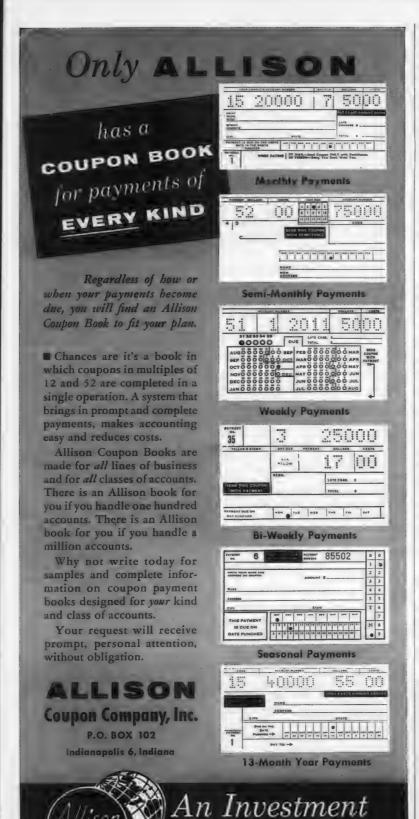
Andrew McNally III, center, president of Rand McNally & Company, beside exhibit at firm's centennial program, the "Chicago Assembly," held Jan. 5, 6. Among the speakers were, left, Wm. McChesney Martin, Jr., chairman of the Board of Governors, Federal Reserve System, and, right, Homer J. Livingston, president of The First National Bank of Chicago

The CITIZENS & SOUTHERN NATIONAL BANK, Atlanta, has opened a service office at 500 Fifth Avenue, corner of 42nd Street, in New York. ROBERT F. ADAMSON, executive vice-president, is in charge.

ROBERT C. SPRAGUE has been designated chairman of the board and Federal Reserve Agent for 1956 for the Federal Reserve Bank of Boston. He succeeds HAROLD D. HODGKINSON. DR. JAMES R. KILLIAN, JR., president of Massachusetts Institute

Secretary of the Treasury George M. Humphrey, left, chats with other head table guests at centennial dinner given by Mercantile Trust Company of St. Louis. From left: Kenton R. Cravens, president of Mercantile; Aloys P. Kaufmann, president, St. Louis Chamber of Commerce; Sidney Maestre, Mercantile's chairman; and Raymond R. Tucker, Mayor of St. Louis





in Efficiency

of Technology, was named deputy chairman. HARVEY P. HOOD, formerly a Class B director, has been elected a Class C director.

WORCESTER COUNTY TRUST COM-PANY, Worcester, Mass., has established a department devoted exclusively to the financial problems of small business. It is headed by Wil-LIAM T. SWEENEY, assistant vicepresident.

EMBREE K. EASTERLY has been promoted to vice-president and cashier of Capital Bank & Trust Co., Baton Rouge, La.

JOHN P. BILLHARDT was named first vice-president and treasurer of Excelsior Savings Bank, New York. E. AMES BLEDA is vice-president and secretary; MARTIN J. RUDOLPH was named comptroller.

HARRY S. BAYER, GEORGE A. MURPHY, and BEN-FLEMING SESSEL were named senior vice-presidents of Irving Trust Company, New York.

The EASTERN NATIONAL BANK of Smithtown, N. Y., chose Friday the 13th (of January) as its opening day. The bank is the first national bank to be chartered in Suffolk County on Long Island in more than 35 years. President is WILLIAM J. BOYLE; cashier is WALTER F. THOMAS, formerly vice-president of the Peoples State Bank of Baldwin, N. Y.

JOHN SELLORS, vice-president of Fidelity-Baltimore National Bank and Trust Company, Baltimore, Md., has retired to engage in private practice as a public accountant and

New building of The Citizens National Bank, Abilene, Texas







V. G. Isaacson

L. F. Salathe

tax consultant. C. MILTON LANCASTER was advanced to vice-president.

V. GORDON ISAACSON and LEONARD F. SALATHE are now vice-presidents of the National Bank of Commerce in New Orleans.

ROBERT B. ANDERSON, formerly Deputy Secretary of Defense and prior to that Secretary of the Navy, was elected to the board of directors of the Greenwich (Conn.) Trust Company.

#### Active at 87

ARTHUR LATHROP has celebrated his 30th anniversary with the Hartford National Bank and Trust Company. Now in his 88th year, he commutes every day from Simsbury to serve the bank's safe deposit customers.

He had spent a number of years in the drug business and had his own drug store before turning to banking. His hobby is coin collecting.

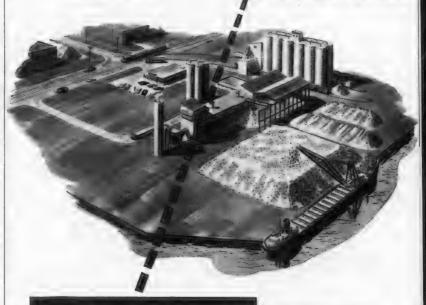
ROBERT S. KRAHAM, assistant vicepresident of Bankers Trust Company, New York, won one of the first prizes awarded at the annual Christmas party of the New York Sales Executives Club: a Nash Rambler station wagon, plus a week's vacation for two at the Hollywood Beach (Fla.) Hotel, plus a big supply of Texaco gasoline.

KERMIT LEMLEY was elected vicepresident, and CLARENCE SUDDERTH and FRANK MILLER were named vicepresidents and trust officers of The Citizens & Southern National Bank, Atlanta. These were among 19 promotions announced by the bank, 13 of them going to men under 35 years of age.

FIRST NATIONAL CITY BANK of New York has opened a new overseas branch in Jeddah, Saudi Arabia. It is the only branch of an Amere're starting construction of America's most modern cement manufacturing plant in the heart of a great midwestern market at Milwaukee. It will introduce a new conception of efficiency and cleanliness in cement making, provide 1,250,000 barrels of additional annual capacity where demand is great and growing.

It's part of our \$18,000,000 expansion program to increase total Marquette capacity by about 22 per cent and provide nearly 3,000,000 more barrels of cement annually in the midwest section of our 18-state marketing area. And it's in line with total cement industry expansion to develop an unprecedented capacity of 368,000,000 barrels by the end of 1956.

Mark V Marquette as a cement company on the move.



#### MARQUETTE Cement

ONE OF AMERICA'S MAJOR CEMENT PRODUCERS

Operating eight cement producing plants in Illinois, Iowa, Ohio, Missouri, Tennessee, Mississippi and Georgia
—and two more on the way

Annual capacity 13,600,000 barrels

—and some 3,000,000 additional

barrels on the way

#### Milwaukee Plant Features:

First U.S. installation of a "double pass" Lepol kiln.

Double filtering of waste gases. Ultramodern burning equipment

Exceptional heat economy, operating economy, utilization of otherwise waste material. Unusual chemical adaptability of raw materials.

Immediate access to efficient land and water transportation.

MARQUETTE CEMENT MANUFACTURING CO. . 20 N. WACKER DRIVE . CHICAGO 6. ILL.



give finger tip control of all records. Cards and correspondence or orders can be mixed. All records instantly available.

Free DESCRIPTIVE CATALOG
Effective Tools for Effective Management
WASSELL ORGANIZATION, INC. Westport, Conn.



ican bank in Arabia and is the 66th overseas branch of the bank. Manager is CHESTER B. GRANT, who has served in the bank's overseas division since 1926.

BANK OF AMERICA is building a quarter - million - dollar building in San Jose, Calif., birthplace of A. P. Giannini, the bank's founder. The building will serve as a home for ERMA, the bank's new high-speed electronic bookkeeping machine.

THE LAKE COUNTY NATIONAL BANK, Painesville, Ohio, and the CITIZENS BANK of Madison, Ohio, have merged under the charter of the former with combined assets of approximately \$21-million.

A citation for 25 years of "distinguished service" has been conferred on ALBERT WAGENFUEHR, vice-president of First National Bank in St. Louis, by Robert Morris Associates.

CHESTER C. McGranahan advanced to senior vice-president of National Bank of Commerce, Seattle, Wash. HAROLD B. WITTENBERG became vice-president; Alfred A. Erickson was named controller.

#### 70 Years a Banker

C. (CHRIS) AGEE retired on January 1 as vice-president of Phillips National Bank, Helena, Ark., after a mere 70 years in banking. He entered banking in 1885 at the age of 18. He has been vice-president of Phillips National since its organization 25 years ago. The bank has supplied him with a "retirement desk" in the bank.

(CONTINUED ON PAGE 28)

C. C. (Chris) Agee





## POSTINGS PROVED IN LESS TIME

This modern Monroe adding machine with shuttle action carriage cuts down figuring costs. It trims time in proving savings accounts under the unit system, does the work with less effort.

Rapid twin-column printing does away with timewasting double handling of ledger cards. It proves old and new balance postings in a single operation. A duplex type machine, the Monroe gives two separate totals with full keyboard capacity in both columns.

This versatile adding machine also handles regular adding jobs, with a flick of its normalizing lever. Operators who know prefer Monroe.

Monroe Calculating Machine Company, Inc., Main Office, Orange, N. J. Sales and service branches throughout the country.

## See The MAN from MONROE

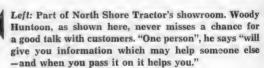
for CALCULATING · ADDING · ACCOUNTING MACHINES

## "A dealer doesn't have to





Above: Today's North Shore Tractor Sales headquarters, built about two years ago on Highway 31, northwest of Muskegon. Organization consists of four salesmen (including Huntoon), one parts man, three mechanics and field service men, an office manager, bookkeeper and a janitor. It's a closely knit team, where every man who shows real interest in the business has a chance to share in its earnings.





#### A profitable business for the right man...

Woody Huntoon's success as a Ford Tractor Dealer is typical of the many thousands of aggressive dealers associated with the Ford Motor Company.

And right now, there is room for more "Woody Huntoons" with this fast growing organization.

Perhaps you know a man who has the qualifications for managing a successful farm machinery dealership—a deserving individual looking for the right opportunity. You can help launch this man into a successful future by suggesting he get in touch with the General Sales Manager, Tractor and Implement Division, Ford Motor Company, 2530 East Maple Road, Birmingham, Michigan.

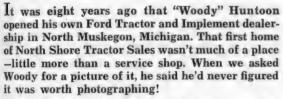
"G

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# go it alone' with FORD"

Says

Woody Huntoon, Pres. & Mgr.,
North Shore Tractor Sales,
North Muskegon, Mich.

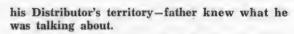


And there wasn't much about that dealership in 1946 to suggest the size of business and the organization Woody Huntoon and his two partners, Pete Kroeze, Sales Manager, and Harold Milkamp, Office Manager, would be heading up by 1954.

#### **Father Sometimes Knows Best**

It was from his father, also a farm machinery dealer, that Woody learned the simple principle to which he credits much of his business growth and success. "Good service and a stock of parts to take care of all the equipment your customers have in the field", advised the elder Huntoon, "are not only the solemn responsibility of any farm equipment dealer, but the secret of success in this business."

Judging by the present status of North Shore Tractor Sales—and Woody's accomplishment in winning the award as 1953 Outstanding Dealer for



#### Tractor-Distributor Cooperation is Big Difference

"My dad handled another line of farm equipment and I worked for him as a youngster", says Woody Huntoon. "The big difference I see as a Ford Tractor and Implement dealer today is the constant and unfailing cooperation I get, both from the Tractor and Implement Division of the Ford Motor Company and our Distributor.

"Everything I could need, and more than I could possibly think of myself in the way of helpful suggestions in sales planning, sales and product training, service instruction, accounting and management methods, personal cooperation and inspiration are available to me and all of us here, 24 hours a day, 365 days a year. Believe me, a dealer doesn't have to go it alone with Ford!"

And that, as Woody Huntoon points out, is one of the many great advantages in being a Ford Tractor and Implement Dealer in today's hotly competitive market.



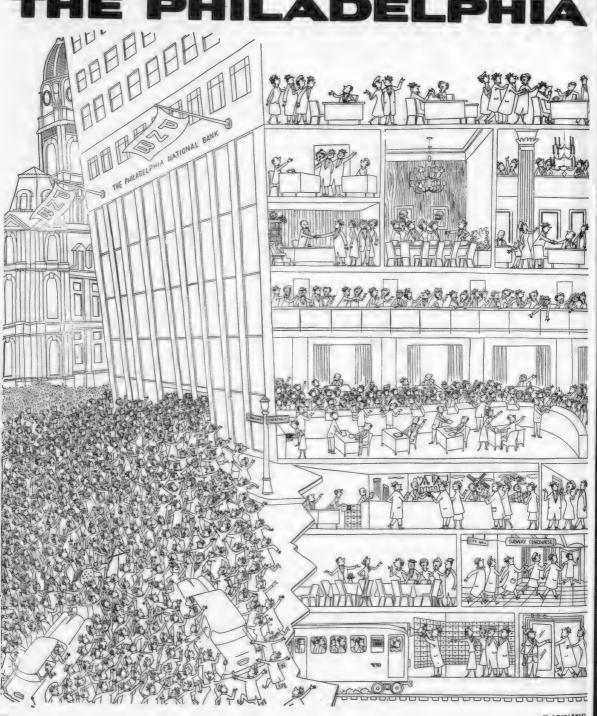
## TRACTOR AND IMPLEMENT DIVISION FORD MOTOR COMPANY

Birmingham, Michigan

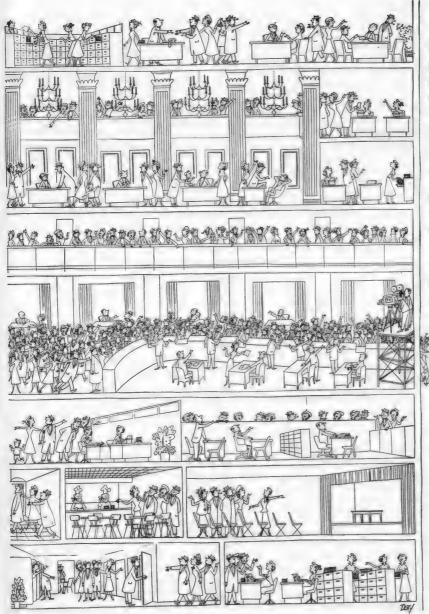
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## DAY CHESTNUT AND CHESTNUT WOME OF NATIONAL BANK



Famed illustrator Roy Doty's picture gives you an idea of what things were like around here on January 16th. We add, very simply, "Whew!"

We hope you'll be able to visit this new Main Office soon. It's pretty special, we think, from the PNB Weathercaster up on top to the vault way down below. We'd like the chance to show it to you.



#### THE PHILADELPHIA NATIONAL BANK

Organized 1803

PHILADELPHIA
CHESTER • CONSHOHOCKEN
HATBORO • LANSDALE
MARCUS HÖCK • NORRISTOWN
POTTSTOWN

Member Federal Deposit Insurance Corporation





STANLEY Door CONTROLS

and extend to all a cordial
Invitation
to transact business at your bank

Only a personal hand shake could surpass the courteous reception your customers will receive from Stanley Magic Door Controls that open and close doors . . . automatically.

doors ... automatically.

Your business is built on service. So, make that service complete. Install Stanley Magic Door Controls for the comfort and convenience of those you want to impress ... please ... and keep doing business with. Write for free literature on Magic Carpet and Magic Eye (photoelectric) Controls. One type will meet your specific requirements exactly.

Magic Door Division, The Stanley Works
DEPT. B, 1012 LAKE STREET, NEW BRITAIN, CONN.

DEPT. B, 1012 LAKE STREET, NEW BRILDING
Representatives in Principal Cities
STANLEY TOOLS • STANLEY HARDWARE • STANLEY ELECTRIC TOOLS
STANLEY STEEL STRAPPING • STANLEY STEEL







Dorothy Brahm

#### **MAIN STREET (Continued)**

GORDON T. WALLIS was promoted to vice-president of Irving Trust Company, New York.

DOROTHY M. BRAHM has been named assistant director of advertising for the Old Republic Life Insurance Company of Chicago. Joseph S. King is director. Mrs. Brahm has been with the company's advertising department for two years.

JOHN R. McWilliam, after 49 years in banking, has retired as vice-chairman of the board of Chemical Corn Exchange Bank, New York, and as chairman of Chemical Corn Exchange Safe Deposit Company. He had been president of Corn Exchange Bank. Upon its merger with Chemical Bank & Trust Company in 1954, he was elected vice-chairman.

LESLIE A. HOFFMAN is now a vicepresident of Girard Trust Corn Exchange Bank, Philadelphia.

#### Fleming's Nonretirement

ROBERT V. FLEMING may have stepped out of the presidency of the Riggs National Bank in Washington, D. C., but one could hardly say he has retired, according to The Washington Post and Times Herald. In a feature bearing a full-color photo of Mr. Fleming, the paper notes that he's still chairman of the board and chief executive officer.

He's called "Washington's bestknown banker and generally acknowledged to be its No. 1 citizen," which, it is pointed out, "is distinct from the reputation of the Nation's First Citizen, whose address is the White House."

When both the income tax and the Federal Reserve were new, MR. FLEMING became the expert on both. He became president of Riggs in 1925 at the age of 35. Only 10 years

(CONTINUED ON PAGE 30)

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### Your bank can give a widow the most comforting words of all

You can assure her that her home is safe—the mortgage has been paid in full. There is no danger of a double tragedy for her—no possibility of injurious community relations for you. Federal's Mortgage Redemption Plan protects both the customer and the bank. Customers like Federal's Plan because the low, low cost is simply included in their monthly mortgage payment. Bankers like Federal's Plan for its simplicity and freedom from burdensome detail. Write today for complete information.

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FEDERAL ALSO OFFERS CREDIT LIFE AND DISABILITY PLANS THAT WILL BUILD YOUR INSTALLMENT FINANCE DEPARTMENT SAFELY AND PROFITABLY

## FEDERAL LIFE and CASUALTY COMPANY

#### Federal Offers You:

A Custom Designed Plan based on careful study of your operations • Proven Customer Appeal • Simplified Streamlined Procedure • Complete Flexibility including Health and Accident coverage • Prompt Service • All Promotional Tools.



#### HIGHEST RATING

See Best's and Dunne's for reason's why Federal enjoys their unqualified recommendation.

#### PERSONAL PROTECTION SINCE 1906

JOHN H. CARTON President

HAROLD L. BUCK Vice President and Manager Credit Insurance Division

WOLVERINE-FEDERAL TOWER, BATTLE CREEK, MICHIGAN . REGIONAL SERVICE OFFICES FROM COAST TO COAST

#### MAIN STREET (Continued)

later he was elected president of the American Bankers Association, "a post in which he traveled widely and dedicated himself to 'taking the mystery out of banking.'"

MR. FLEMING has been honored for all kinds of civic endeavors. Indeed, says the newspaper, "the name of Robert V. Fleming has long had a kind of magic here in the National Capital. Its appearance or absence on a committee roster or sponsors' list can mean the difference between the success or failure of a civic enterprise."

ROBERT B. ROSENBERGER has joined the staff of the Pennsylvania Bankers Association, Harrisburg, as administrative assistant. He was formerly director of field services for the Pennsylvania Savings & Loan League.

C. W. BATTEY, president of Continental National Bank of Lincoln, Nebr., has been appointed a director of the Omaha Branch of the Federal Reserve Bank of Kansas City.

Howard A. Smith has retired as executive vice-president of American Express Company and its overseas subsidiary, The American Express Company, Inc., after 36½ years of service. Howard L. Clark was named executive vice-president of American Express Company, retaining his title of senior vice-president of the overseas subsidiary. Frank Groves was named vice-president of American Express Company and ex-

This scale model of the world's fastest airliner, the Boeing 707, revolves slowly in the lobby of The Pacific National Bank of Seattle. The model itself is much traveled was flown from New York for this display. Delivery of the first of these giant jets is scheduled for December 1958



ecutive vice-president of The American Express Company, Inc.

#### In New Post

A LBERT PHILLIPS has retired as a vice-president of First National Bank, Louisville, Ky., to become State Banking Commissioner for Kentucky. He had been with the bank for 28 years. MR. PHILLIPS was active in bond drives and was president of the Kentucky Bankers Association in 1952-53.

HENRY D. ORMSBY, vice-president, succeeds him in charge of the correspondent bank department.

These retirements were effective December 31 at American National Bank and Trust Company of Chicago: A. M. STRONG, vice-president; CHARLES P. HEILMANN, auditor; HAROLD N. SNAPP, assistant vicepresident. Mr. Strong continues in an advisory capacity.

#### Wachovia Changes

As Banking went to press, word was received of the appointment of ROBERT M. HANES as honorary chairman of the board of Wachovia Bank and Trust Company, Winston-Salem, N. C. Mr. Hanes had been president of the bank. He was president of the A.B.A., 1939-40.

Other changes in Wachovia's top management are: John F. Watlington, Jr., president (formerly senior vice-president and head of the Charlotte office); Archie K. Davis, chairman of the board (formerly senior vice-president); Carlysle A. Bethel, vice-chairman of the board (formerly senior vice-president and senior trust officer); Richard G. Stockton, chairman, executive committee (formerly chairman of the board).

MR. DAVIS is a member of the A.B.A. executive council, vice-president of the State Bank Division, and a state chairman of the State Legislative Council.

Mr. Bethel is a member of the A.B.A. Committee on Federal Legislation and a member of the Trust Division's Executive Committee.

Mr. STOCKTON is on the board of trustees of the Foundation for Education and Economics.

ADRIAN M. MASSIE, chairman of the board of the New York Trust Company, has been selected to serve during 1956 as member of the Federal Advisory Council from the Second Federal Reserve District.

(CONTINUED ON PAGE 32)

This is the new drive-in and walk-up addition at the First National Bank of Mount Vernon, New York



P P a F



### You'll get quick agreement around the table on this!

CERTAINLY, one of the most important decisions in any bank's modernization program is the bank vault door. Yet it's probably the easiest on which to reach agreement.

For one bank vault door has become virtually the symbol of the modern banking office to customers as well as bankers. It is, of course, the Mosler Century Vault Door, which was developed a little over two years ago by Mosler engineers and Henry Dreyfuss. Since then it has been the almost instinctive choice of the most forward-looking bank officials and architects

in America, and has inspired many to choose as its location the most conspicuous place in the bank. For no other vault door made combines so uniquely a look of startling modern magnificence . . . with a look of traditional security so impressive to customers.

And, of course, no other vault door is a Mosler . . . the most famous and respected name in bank equipment for over a century. Would you like more information about this famous vault door? Write or wire The Mosler Safe Company, Dept. B-2V, 320 Fifth Avenue, New York 1, N.Y.



NOTE The distinguished modern day gate inside the Century Yault Door, and how impressively the great boils and intricate time-locks are shown. A wide diversity of distinctive architerare is available, to fit into your plans or those of your architect.

IF IT'S MOSLER . . . IT'S SAFE



World's largest builders of safes and bank vaults

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## BANKING

FEBRUARY 1956

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

## The OUTLOOK

### and CONDITION OF BUSINESS

This boom, in addition to its other unusual features, has achieved the distinction of being the subject of a fictional best seller.

Cash McCall is the name of a book by Cameron Hawley. It is full of stock transfers, management problems, how to reduce tax bases, and board room conversation, entwined with love so skillfully it all seems to belong together. Cash (that's the hero's real name) is a clean cut young operator who simply can't resist buying companies, merging them, selling, buying, 'round and 'round, with everyone happily profiting.

While it is not clear just what he uses for money, he finally owns almost everything in sight, including the company that advises clients whether to buy or sell. Fortunately, through it all he does not let business interfere with romance.

The only point in mentioning this book and its current popularity is that it is just one more item to add to the evidence that this is an unusual boom, if any more evidence is needed.

#### Credit Policy Survey

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Most of the factors and indicators currently mentioned as bearing on the outlook are familiar. If you've seen one list you've seen them all.

With the exception of a few things like a moderate decline in automobile production, the same for homes, also continued weakness in agriculture and a paradoxically high failure rate of small concerns, the boom is complete and as wide as the free world. Its momentum, plus a little political steam, are counted on to carry it well along through the year.

One thing noticeably absent from practically all comment is the traditional reference to the uncertainties of a presidential year. Now and then someone notes in passing that we are going to have one of our solemn referendums this fall, but only to emphasize that nothing will be done politically to interfere with the prosperity parade.

One of the most careful and authentic surveys of business and financial conditions is made semi-annually by the Credit Policy Commission of the American Bankers Association. George S. Moore, chairman of the Commission and executive vice-president of the First National City Bank of New York, has just announced the results of the latest one made at the turn of the year.

Prospects for business in the year 1956, according to a summary of this survey, are favorable, although there is greater assurance regarding the first half than for the latter part of the year.

The respondent bankers indicate that the immediate outlook is especially bright for such industries as electronics, machinery and machine tools, shoes, paper, and most textile fabrics. The steel industry is almost certain to operate at a high level.

The decline in farm prices, and the adverse effects from the drought, condition the prospects in some local areas dependent primarily on agriculture. The lumber and automobile industries may not match their 1955 records.

While business inventory figures have been rising, part of this reflects higher replacement costs and larger sales and production. Inventories of automobile and appliance dealers, especially in the lesser-known brands of appliances, are cited as possible sources of difficulty in 1956.

#### Credit Demand

In the first half of 1956 there is likely to be a continued strong demand for all types of credit. Making allowance for seasonal factors, the demand for commercial credit is expected to remain steady. The volume of consumer credit is likely to increase somewhat further, but at a slower rate than in 1955. Demand for real estate credit should continue at about the same pace as in 1955. However, less activity is anticipated in loans to speculative builders. Demand for agricultural credit should show a moderate seasonal increase in most areas.

#### Outlook for Construction

Expenditures for construction are expected to pass the all-time peak established in 1955. However, fur-

(CONTINUED ON PAGE 176)

## Wherever people work standing . . . they're happier less fatigued more efficient when they are standing on HYGIENIC 8 MARRIEIZED COLORS . BEVELED EDGES FOR SAFETY HERE'S WHY Seg your BANK OUTFITTER OF OFFICE SUPPLY DEALER or write: PLOORING DIV. DEPT. C for prices and literature THE HYGIENIC DENTAL MFG. CO. AKRON & OHIO U.S.A

#### MAIN STREET (Continued)

E. Edward Kattel was elected executive vice-president of the Grace National Bank of New York. He has been with the bank for 30 years. Vice-president Harvey V. Delapena was elected a director. He also has been with the bank for 30 years.

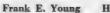
New York's "glass bank," the Fifth Avenue office of the MANUFACTURERS TRUST COMPANY, won a "Plant America" award from the American Association of Nurserymen. This is the first time such an award has been made to a firm in New York City since the contest was instituted three years ago.

Philadelphia merger: Market Street National Bank into Tradesmen's Bank & Trust Company. The officers: Board chairman, R. Livingston Sullivan, formerly president of Market Street National. Chairman of executive committee, Percy C. Madeira, Jr. James M. Large is president; Warren H. Woodring, executive vice-president. Combined assets as of the year end were \$307,502,000.

Hugo E. Trentini was advanced to president of the Souhegan National Bank, Milford, N. H. He is also current president of the New Hampshire Bankers Association.

MRS. BEE BUSH, ELMER T. SCHALL, and T. SCOTT BENTLEY were named







Howard A. Leif

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vice-presidents of Valley National Bank, Phoenix, Ariz.

SECRETARY FRANK E. YOUNG and CONTROLLER HOWARD A. LEIF advanced to vice-presidencies at Bank of America, San Francisco.

DAVID V. FLYNN has joined School Thrift, Inc., Yonkers, N. Y. He was formerly with the national office of Junior Achievement in a public relations capacity, and prior to that was with the education department of the National Association of Manufacturers.

Citizens National Bank of Tyler, Texas, has changed its name to CIT-IZENS FIRST NATIONAL BANK of Tyler.

EDWARD B. STURGES was appointed executive secretary and public relations director of the Nassau County Clearing House Association, Freeport, N. Y.

HORD W. HARDIN has been elected a vice-president of St. Louis Union (CONTINUED ON PAGE 166)

Earle A. Welch, center, and Mrs. Welch receive best wishes at dinner in their honor, and attended by 250 New Hampshire bankers and their wives. Mr. Welch, treasurer of the Meredith (N.H.) Village Savings Bank, is president of the A.B.A. Savings and Mortgage Division. From left: Philip H. Butterfield, vice-president, First National Bank, Concord, and A.B.A. state vice-president for New Hampshire; William S. Leonard, president, Strafford Savings Bank, Dover, and member A.B.A. Executive Council and a state chairman of A.B.A. Federal Legislative Council; Mr. and Mrs. Welch; J. R. Dunkerley, A.B.A. Deputy Manager in charge of Savings and Mortgage Division



(11) Continuation of the present considerable program of Federal subsidies to pay for building and operating local schools in so-called "federally impacted" areas.

(12) Technical and loan assistance for areas of "chronic unemploy-

ment."

(13) Enactment of a program of Federal indemnities to persons suffering from flood damage.

(14) Various health measures, such as additional funds for medical research, for aiding in the construction of buildings for medical research and training. Enactment of plans for reinsuring voluntary medical insurance for the elderly and persons in rural areas.

(15) More public housing, more money for mortgage support through the Federal National Mortgage Association, more insurance authority to commit the Government to contingent liability on mortgage loans, and more money for urban planning.

#### **Program Appraised**

These 15 objectives are only the main ones. In addition, the President requested a number of other programs of perhaps more limited potential cost to the Treasury.

It is recognized that the President may privately comprehend that such a heavy seeding of legislative proposals cannot all be harvested in one session of Congress. Several of his proposals will fail. Every one also understands that this is a political year, and that some of the presidential recommendations, it is suspected without necessarily being cynical, are designed as election lures, for such is one of the customary ways of political life.

On the other hand, some considerably costly elements of the President's program are most likely to pass, and they will, once under way, constitute a regular annual drain on the Treasury for as many years to come as the game of easy spending lasts.

Hence, in appraising the President's proposal of a balanced budget for even fiscal 1957, it must be assumed that the new and grand proposed Federal undertakings will either fail of enactment, or, if enacted, be so slow starting they will not result in much actual spending in fiscal 1957.

On the other hand, this imposing inventory of new undertakings gives little hope to the informed that a balanced budget, even if actually achieved, will come round the U. S. Treasury's way again in many years to come.

(Some of the principal figures and other highlights of the President's budget message appear at the end of this article.)

#### **Continues Higher Taxes**

So - called "temporary" higher rates of excise taxes on motor vehicles, tobacco, and liquor would expire April 1, unless extended. So would the corporation income tax of 52%, which otherwise would drop to 47%. Mr. Eisenhower asked that these rates be continued at the higher level for another year. Preliminary indications were that Con-

gress would go along. Thus, banks in common with other corporations probably will continue to pay the 52% Federal income tax.

In the light of the long-term spending outlook, it is doubtful if these "temporary" higher rates will be abandoned in the several years immediately ahead.

#### Celler Bill

Of major pending bills in the new session affecting the banking business, at least two proposals were said at this writing to have prospects for fairly early consideration.

One of these is the bill by Chairman Emanuel Celler (D., N. Y.) of the Judiciary Committee which would extend the application of Sec.

#### Legislative Run-Down

The following proposals before Congress of direct or collateral interest to the banking industry are listed in this summary, together with their status where known and prospects for action, if any were apparent at the time of writing:

Subject	Status
Celler anti-merger bill	Favorably reported out of House Judiciary committee, awaiting floor consideration; may pass House. No Senate action now likely.
Small Business Administration disaster funds	Hearings and prompt action expected.
Bank holding company regulation	Spence bill passed House; Senate committee favorably voted Robertson bill. Senate floor action slated for February.
Flood and/or broad disaster loan insurance	Both Banking committees are now working on this; many conflicting viewpoints to be reconciled.
Raise bank supervisory officials' salaries	Passed House; reported out of Senate Committee, but will go back to committee for hearings before floor action.
Savings and loan branching regulation	Passed Senate with amendments; no House committee consideration vet scheduled.

Waiver of 1 national bank exam in each 2 years; also extending permissible area of residence of national bank directors

Housing legislation

Debt limit boost

Passed Senate; have not yet been scheduled for House committee consideration.

Neither Administration nor Democratic leadership had formulated legislative proposals.

As usual will not come until near end of session.

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Senate leaders gathered together in a nonpartisan attitude as the 84th Congress' Second Session began. Left to right: Senators Walter F. George (D.-Ga.), Harry F. Byrd (D.-Va.), Senate Majority Leader Lyndon Johnson (D.-Tex.), Vice-president Richard Nixon, and Minority Leader William Knowland (R.-Calif.)

## Program for the Second Session

#### LAWRENCE STAFFORD

PRESIDENT EISENHOWER has adopted the fiscal policy which might be called a pause in deficit financing. He predicted an interruption to Federal deficits for this fiscal year and next.

Expanding personal and corporation income tax revenues, reflecting the brisk pace of the business boom, are primarily responsible, of course, for the prospective temporary achievement of a balanced budget. Most classes of Federal expenditures are on the rise.

Nevertheless, the President withdrew his conditional commitment of a year ago for a tax cut. In his Annual (or opening) Message this year, the President seemed to rule out a tax cut, now or in the predictable future. What the President said is that there should be no tax cut which would unbalance a budget making modest provision for debt reduction.

Mr. Eisenhower himself, however, did not directly inspire the idea that

his anticipated budget balances of fiscal 1956 and '57 would be the last in some years. Such a prospect is brought home by the magnitude of the spending programs which the President urged upon the Congress.

#### The President's List

The President renewed, of course, most of the objectives he proposed last year or previously and which have not been enacted, with some new additions. The following is a brief summary of the principal spending programs the President wants as he brought the list up to date:

(1) Farm aid. Superimposed upon the existing crop price support program there would be the "soil bank," or varying mechanisms for paying farmers to cultivate fewer acres. In view of the fact that the only large class of the economy failing to "share in the prosperity" is agriculture, and because of the politically strategic dispersal of the farm votes

in so many states, Congress is almost certain to raise subsidies considerably, in one form or another.

(2) Budgeted larger expenditures for national security and larger appropriations for foreign aid.

(3) Approval by Congress of a long-term foreign economic aid program.

(4) A comprehensive water conservation program.

(5) Approval of various specific costly water conservation projects.

(6) A request for a substantial expansion in the funds for the United States Information Agency.

(7) Better medical care and higher survivor benefits for dependents of military personnel.

(8) Renewal of the plea for an expanded **highway program** with "adequate financing."

(9) Appropriation of more money for civil defense.

(10) Approval for Federal undertaking of a share of the costs of local school construction.



7 of the Clayton Act to mergers and consolidations of banks effected by way of asset acquisition.

In effect the Celler bill would give the Department of Justice the power to veto bank mergers made via the asset acquisition route. The bill was reported favorably by the full committee last year. It was anticipated that the bill stands a fairly good chance of passing the House.

There is a considerable belief, however, that the bank supervisory officials are better situated to judge the monopoly as well as other important factors involved in weighing an opinion as to the desirability of bank mergers. Should the House pass the bill, it is anticipated that the Senate Banking Committee might seek to substitute the bank supervisory officials for the Department of Justice as the authority to pass on mergers.

#### **Bank Holding Companies**

Two bills are now pending to regulate the growth of bank holding companies, and to provide for them to divest themselves of assets unrelated to the banking business.

One is the Spence bill, passed by

Secretary of Agriculture Ezra Taft Benson (right) breakfasted with Republican Congressional leaders to discuss the farm problem-a crucial political matter especially in an election year. From the left: Reps. Charles B. Hoeven of Iowa, Leslie C. Arends of Illinois, and Sid Simpson of Illinois

the House last year. It would limit bank holding company expansion within any state by the rules of that state for branch banking unless state law specifically regulated holding company expansion. The bill also would prohibit a holding company from buying a bank in any state other than the state of the headquarters of the holding company.

Second of the pending bills is the Robertson bill - after Senator A. Willis Robertson (D., Va.). This bill approaches the question of holding company expansion by leaving it to regulation by the Federal Reserve Two views on tax cuts are represented by these Democratic leaders-Sen. Walter F. George (left) of Georgia, and Senator Harry F. Byrd of Virginia. The former favors reduction, the latter says "not yet"

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Board under certain broad rules. The Robertson bill was reported near the end of the 1955 session by the Senate Banking Committee. Members of the committee have sought banker opinion, if any, on possible changes in the bill. They were scheduled to meet last month in executive session to consider if any amendments were needed. There was said to be pressure for amend-

The committee hoped to bring the Robertson bill to the floor this month.

#### S & L Branching

Another major pending proposal would set rules for the Federal Home Loan Bank Board to follow in granting federally chartered savings and loan associations permission to set up branches. A bill was passed by the Senate which would grant branching privileges in any state on the basis that the Federal S & L could have in that state the most favorable branching rights allowed state-chartered building associations and mutual banks, or commercial banks with savings departments.

It was anticipated that, although the House Banking Committee has displayed little enthusiasm for legislation on this subject, it would hold



UNITED PRESS

hearings. At this writing, however, the committee had not projected its plans far enough ahead to include consideration of an S & L branching bill.

#### Disaster Money

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The House Banking and Currency Committee held a hearing on January 5 on a bill which would increase the lending authority of the SBA for disaster loan purposes. The bill as reported out increases this loan authority from \$25,000,000 to \$75,000,000. It does not give them any additional funds, as this amount will come out of the total funds authorized for loan purposes. It is anticipated that eventually this bill should pass both the House and the Senate.

#### Proposals Lag

A number of other proposals affecting banking will take more time to get under way legislatively.

Eventually Congress may be expected to take up the bill to continue the present power of the Federal Reserve to lend up to \$5-billion directly to the Treasury. This is the popularly understood "Treasury overdraft," to ease Treasury balances over short periods around tax and security redemption periods.

Likewise the Defense Production Act, with authority for the Reserve banks to handle V-loans, probably will again be extended as the President requested in his Annual Mes-

#### **Bond Underwriting**

In view of the opposition of the investment banking industry, informed sources were inclined to offer little hope for passage of the Bricker-Capehart or Long bills. These would authorize national banks to deal in and underwrite municipal revenue bonds, as they now may do in respect to general obligation municipals. It was possible that this idea might be given a hearing, however, before the Senate Banking group.

#### **Postal Savings**

Various bills would provide for accelerating the liquidation of the Postal Savings System. They are pending before both House and Senate committees on the Post Office and Civil Service. Committee sources reported at the beginning of the new Congressional session, however, that (CONTINUED ON PAGE 112)

#### "Russians Bearing Gifts"

#### HERBERT BRATTER

TIMEO Danaos et dona ferentes-"I fear the Greeks even bearing gifts"-is true today as it was in Virgil's Rome, but not about the Greeks. Competing offers of technical and economic aid are descending on ancient lands of Asia like manna from heaven. For years the U.S. has been sowing billions east and west of Suez and reaping, in many cases suspicion, jealousy, and fear. Now Russia's leaders, wreathed in flowers and smiles, have visited India, Burma, and Afghanistan seeking to extend their influence, stirring trouble, and dangling prospects of profitable trade. The record of past Soviet trade pacts is long enough to show clearly a big gap between promise and performance. Now they are at it again, making big headlines in the American press. And all too easily too many Americans, glancing at the headlines, clamor for stepped-up aid to Asia. Too readily they urge putting out the fires set by Mr. Khrushchev with a smothering stream of dollars.

THE Soviets have been offering technical aid, steel and steel mills, oil equipment, textile machinery, and machine tools everywhere from Syria to Burma, in exchange for the products of those countries. Some of these offers involve extension of credit, but not gifts on the American pattern. Many of the items offered are things the Russians badly need at home; things the Soviets are themselves importing, like textile machinery. In some of the headline-making Soviet offers of late our State Department sees at work the guile of consummate propagandists. Secretary Dulles calls it "unnatural for the Soviet rulers to provide economic aid to other peoples when the peoples they already rule are themselves in dire need. We hope that Soviet economic aid is not offered as a Trojan horse to penetrate, and then take over, independent countries."

U. s. official studies reveal the inflated nature of Red propaganda on trade and aid. The mid-year report to the Congress on the Battle Act goes into this subject at length.

Soviet economic and technical activities in Asia are explored in the report issued last June by Sen. Mike Mansfield's subcommittee. The Senator finds that Soviet performance has not lived up to the promines.

THE much - advertised Swedish-Russian 1946 trade agreement, embraced by Stockholm on the theory that the U.S. would plunge the world into a big postwar depression, is an illustration. Moscow has taken less than half the envisaged billion kronor of Swedish goods-on 15-year terms. Three small Swedish shipyards went bankrupt because of Moscow's hard bargaining and reneging. Under the Russian-Argentine trade agreement of 1953 the Argentine was to buy \$30,000,000 of farm, transport, and oil equipment. but through 1954 had bought only \$13,500,000 worth.

THE Soviets can, if they wish, divert from internal needs to Asia and Africa some capital goods, but they cannot do so on a big scale without encroaching on their own military and economic projects. To the extent that we forestall Soviet aid to those areas by rushing in with expanded aid of our own the result will be to help the Soviets to strengthen themselves. There may be something to Mr. Dulles' Trojan horse analogy, but there are signs from Afghanistan and elsewhere that the governments of the courted countries are not unaware of the dangers. As we contemplate the magnitude of the development tasks faced by the burgeoning peoples of southern Asia and the Near East we need to be reminded that our own resources are not unlimited. Our requirements for military defense on land, at sea, and in the air are immense. The debate over the budget-highways, schools, flood control-reflects the pressures on the economy by way of the public purse, while in the market place buovant prices highlight the demands in the private sector. Shall we, like the Russians, subordinate domestic standards to political objectives abroad?

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# How Can General Monetary Policy Be Improved?

E. SHERMAN ADAMS

HERE is the first of two articles presenting a survey of informed opinion regarding this vital question:

How might monetary management be made more effective?

In preparing this symposium for BANKING, the Department of Monetary Policy of the American Bankers Association invited about 50 prominent bankers and economists to express their personal views regarding various aspects of this broad problem. The contributors were also asked to indicate the points which they regard as being most important from the standpoint of strengthening the effectiveness of monetary management.

This first article deals with the Federal Reserve's general monetary policies. The second will be concerned with some of the controversial issues which have recently received so much attention with respect to the control of instalment and real estate credit.

The author is deputy manager in charge of the Association's Department of Monetary Policy.

GENERAL monetary policy has now established itself as a major instrument for combating inflation and deflation. It is therefore important to consider just how it can do this job most effectively.

To shed light on this problem, the Department of Monetary Policy has solicited the views of leading bankers and economists throughout the country. Practically all of the contributors to this symposium agree that, generally speaking, the Federal Reserve has done an excellent job over the past five years in helping to stabilize the American economy.

On the basis of this experience, however, they present constructive criticisms and suggestions for improving monetary policy.

Most of them have not expressed

these ideas publicly. One reason is that they sincerely admire the accomplishments of monetary policy in recent years and do not wish to appear to be belittling them. They desire to give strong support to flexible monetary policy and hesitate to say anything which might detract from its prestige.

This concern is not without foundation. The public generally does not appreciate the limitations that inevitably attend the formulation of monetary policy. To have a perfect record, policy decisions would have to be based upon forecasts of future conditions and the forecasts would have to be invariably correct. However, since forecasting is notoriously fallible, policies based upon forecasts cannot always turn out to be right. Also, there are many occa-

sions when the economic outlook is quite obscure and when it would therefore be unwise to base policy on predictions anyway. Consequently, it will always be possible to say in retrospect that monetary policy might have been better if its timing or its emphasis had at times been different.

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But since this is not generally understood, many people expect too much from monetary policy and assume that any criticisms of it must imply either shortcomings of judgment on the part of the Federal Reserve authorities or a lack of confidence in flexible monetary policy itself.

Let it be made unequivocally clear, therefore, here and now, that the criticisms and suggestions mentioned in these articles do not constitute any kind of indictment of the actions of the monetary authorities. They simply represent efforts to glean from experience some ideas which may help to make monetary policy even more useful over the years ahead.

### Should Monetary Policy Be Active or Passive?

Today there has come to be widespread agreement among bankers and economists with respect to the general role of monetary management. The replies to our survey reflect unanimity that monetary management is both inevitable and desirable, that its over-all objective should be to promote stable economic growth, and that it can do so only if it retains flexibility.

There is also substantial agreement among the participants—though not complete unanimity—that the Federal Reserve should usually adopt an active, rather than

a passive approach to its responsibilities. Only a small minority believes that the Federal should strive to influence credit conditions as little as possible—that its "interference" in the credit markets should always be kept to a minimum.

This viewpoint has had some currency in recent years, especially since the accord of 1951. Some people have assumed that the purpose of abandoning the rigid support of Government bonds was to achieve a completely "free" market—free even from the influence of the Federal Reserve.

An overwhelming majority of those contributing to our symposium do not accept this view. Many, in fact, regard it as tantamount to suggesting the abandonment of monetary policy and a return to an outmoded laissez-faire philosophy.

This does not mean that these bankers and economists do not recognize the importance of market forces. Far from it. They are convinced, however, that market forces alone cannot be depended upon to promote economic stability and that it is the responsibility of the monetary authorities actively to influence credit conditions in the interest of contributing to stability.

Supply and demand factors have, of course, an important role to perform in the money market. Indeed, monetary policy is usually a matter of permitting market forces either to ease or to tighten credit conditions in varying degrees. However,

the degree of ease or tightness that is permitted to develop is clearly determined to a large extent by the action (or inaction) of the monetary authorities.

Over the past few years there have been several official statements which have been construed as implying that monetary policy should be largely passive. The actual record. however, suggests that, so far as general credit controls are concerned, the approach of the monetary authorities has in fact been quite aggressive. For instance, one could hardly characterize the policy of active ease as being a passive policy. Similarly, three discount rate increases within a period of four months in 1955 would seem to reflect a fairly active approach toward credit restriction.

In short, one might conclude that the emphasis of monetary management has been on influencing credit conditions, not on refraining from influencing them, and that most bankers and economists agree that this is where the emphasis should be.

#### Problems of Timing and Degree

This does not necessarily imply that monetary policy should usually be bold and vigorous. In fact, the most common criticism of policy in recent years is that at times it has been overly aggressive, notably in early 1953 on the tight side and in 1954 on the easy side.

As regards the 1953 episode, most bankers and economists are not inclined to be very critical. In general, they think that the Reserve authorities were wise and courageous in trying to curb credit expansion at that time. They do not think that any serious harm was done by the stringency that developed for a short time in some financial markets.

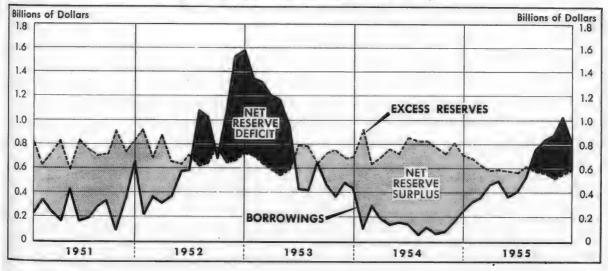
For example, the president of a large New England bank characterizes monetary policy during that period as being "a little heavy handed." A midwestern banker observes that at that time "the newly adopted flexible credit policy caused apprehension largely because it was strange and untried." A third bank president suggests that "as better understanding develops, the likelihood of a repetition of such conditions is greatly reduced."

But bankers and economists alike are more sharply critical of the vigor with which the policy of active ease was pushed in 1954. Charts I and II reflect the effects of this policy on bank reserve positions and on money rates. An eastern banker flatly asserts that "the policy of active ease was pursued with unnecessary vigor." The economist of one of the largest banks in the country declares emphatically that "it was a mistake to permit bill rates to go as low as they did in 1954."

One reason for these criticisms is concern about the effects of an ultraeasy money policy on the whole

#### CHART 1 - MEMBER BANK RESERVE POSITIONS

Member Bank Excess Reserves and Borrowings, 1951-55
(Monthly averages of daily figures. Source: F.R. Bulletin)



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structure of interest rates. Even more important, bankers and economists point out that excessive ease is likely to generate trouble later on. In the words of a New York bank president, "unduly active and aggressive credit ease will not be of much additional help in cushioning the business adjustment but is very likely to pose problems in the ensuing recovery."

More specifically, many believe that super-ease in 1954 was partially responsible for the problems which have developed over the past year in instalment and real estate credit, and perhaps even in the stock market.

In general, bankers and economists approve the manner in which the Federal has moved over the past year from a policy of ease to one of restraint. They particularly like the increased flexibility of the rediscount rate—though a few have misgivings that it may lately have been flexing a bit too vigorously.

There are some, however, who say —"with the advantage of 20/20 hindsight," as one puts it—that the Federal was rather slow about putting on the brakes. The chairman of a large eastern bank remarks: "In retrospect, it would have been better had the authorities applied rather more credit restraint in the earlier months of 1955."

There is considerable agreement that it is important, though admittedly difficult, to initiate restraint early during a period of rising business. For one thing, to quote a bank economist, "inflationary forces should be prevented from getting a running start." Also, it may take considerable time before a restrictive policy will have much effect on some strategic types of credit, notably instalment and real estate credit. By beginning early, as several bankers point out, the monetary authorities may be able to moderate the expansion of credit gradually rather than abruptly.

#### Lessons from Recent Experience

How can mistakes be avoided in the future? In answering this question, no contributor offered any specific formula to guide monetary policy. Many, however, suggested some fairly definite precepts which they think might be helpful. The points emphasized most frequently might be summed up as follows:

- (1) Aim to avoid extremes. Excessive ease is as much to be avoided as excessive tightness. When business dips, "resist the temptation to flood the money market and to force a depression level of interest rates." "Less reliance on excessively easy money as a stimulus." "Avoid overdoing easy money policies." In short, adhere to "a principle of moderateness under most conditions."
- (2) Give greater weight to conditions in the credit markets, especially to movements in money rates and to the psychological reactions of lenders and borrowers. "Pay more

attention to what money rates are saying." "It is highly necessary for the authorities to maintain close and continuing contact with the financial markets and to keep up-to-date with the expectations and anticipations of the financial community."

(3) Plan to initiate credit restraint early when business activity is climbing. "The Fed should be more aware of the considerable lags between their actions and the visible effects of their actions." The authorities should make "more allowance for delayed effects of actions taken."

These, then, in the opinion of some leading bankers and economists, are the chief lessons to be derived from our experience with general monetary policy in recent years. If they can be transmuted into future policy decisions, the effectiveness of monetary management may be increased.

## The Scope of Open Market Operations

Some would add another suggestion: namely, that the Federal Reserve should at times broaden the scope of its open market operations.

It is generally agreed, of course, that open market operations should ordinarily be confined to the short end of the Government securities market. However, it is the Federal's stated policy at present never to depart from the short end except to correct disorderly conditions.

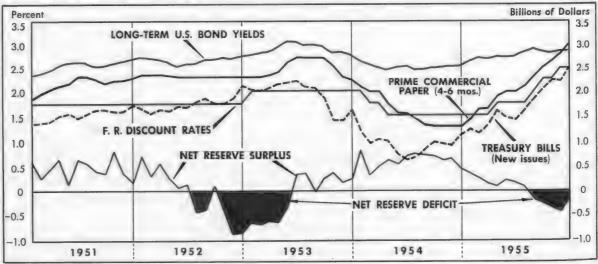
A minority of the bankers and a majority of the economists contrib-(CONTINUED ON PAGE 153)

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#### CHART II - NET RESERVES AND MONEY RATES

Member Bank Net Reserve Balances and Selected Money Rates, 1951-55



Source: F.R. Bulletin

# EVALUATION in Estate Tax Planning

JAMES E. MONEY

The author, a certified public accountant, is a member of the firm of Jamison & Money, Tuscaloosa, Alabama.

There is no standard definition of "value." One definition often used is that value is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both being aware of the circumstances involved.

Fortunately for estate planners, the 1954 Internal Revenue Code did not change any provisions of the old code relating to estate valuations. The governing principles are therefore fairly clear, and we will not have to await extensive litigation to know where we stand. The estate planner does not have to be as exact as the executor who is actually preparing a return.

I shall approach this problem by discussing valuations of properties and property rights as they are listed on Federal estate tax returns. This is probably a logical approach, as the Federal tax is usually larger than state inheritance or estate taxes, and in several states the Federal valuations are accepted, as the particular state has a tax which captures 80% of what has been known as the Federal "basic tax." Many of the other states tend to follow the valuations determined by the Internal Revenue Service.

#### Real Estate

Real estate is usually appraised by qualified persons, and their valuations are used. Testimony of experts is used if litigation is involved. In numerous instances the Commissioner has set a value by capitalizing the gross or net rentals. Some individuals have a rough rule of valuing business property at 10 times the annual rental, but this rule is of doubtful value.

#### **Board's Appraisal**

An estate planner has available the same sources of valuation as the executor has. He can quickly obtain the opinion of bankers, real estate owners, and realtors. He can obtain a formal appraisal if the area is served by a real estate board or similar agency. By directing a letter to the president of the board he can, at a reasonable cost, get the board to make an official appraisal. This appraisal, although actually made by two or three members, will be accepted by the other members of the board and it carries a lot of weight with the Treasury Department. We have never had such an appraisal changed in several years of using the method.

If the area is not served by an association of realtors, the judge of probate, or other officer who receives wills for probate, can appoint an appraisal committee. An appraisal by an unbiased committee is given more consideration, upon the audit of a tax return, than an appraisal by the taxpayer or executor.

Court decisions have given consideration to factors such as income produced, length of and terms of leases, activity of market for similar property, and trends of real estate values in the particular area.

#### Stocks and Bonds

Most United States bonds are valued at or near par. The appreciation type of Savings Bonds (E, F, J, and K) are valued at redemption value as of the date of death of the owner. For planning purposes they can be valued at redemption value as of the date of the plan.

Many stocks and bonds are listed

on exchanges. If they are quoted, the mean of the sales prices for any particular day can be used. The executor may be forced to use interpolated values of the sales prices for days before and after the date of death of his decedent.

In the case of bonds and stocks which are not listed on an exchange but are bought and sold by brokers, the fair market value is obtained by taking the mean between the highest and lowest selling prices of the valuation date. Again the executor might be required to interpolate. In "across-the-counter" transactions we find the terms "bid" and "asked." As the seller can get only the "bid," I use that price for valuation purposes. In mutual funds the "bid" is all that you can get, so it is certainly the value to be used.

#### **Unlisted Securities**

Unlisted stocks present a valuation problem to the planner. If gifts have been made and the Service has audited the gift tax returns, the value so set will be of aid to the planner. Where there are options or restrictive agreements, these agreements, which are legally enforceable, tend to set the value for estate tax purposes but not for gift tax purposes. A 1954 ruling relating to valuation of stocks should be read by every estate planner. This is Revenue Ruling #54-77 Internal Revenue Bulletin 1954 9,17, and it can also be found in Commerce Clearing House 1954 Volume 5 at 6206A

For all practical purposes, if the client of the estate planner has a stock which must, under a legally enforceable agreement, be sold at a certain price, that price should be used in determining its value.

In the Laird case, 85 Fed (2d) (CONTINUED ON PAGE 151)

# METHODS and IDEAS

## Operating Procedures

#### Borrow-by-Mail

A Boston bank simplifies unsecured loan procedure

MERCHANTS NATIONAL BANK OF BOSTON has a new service, "Borrow-by-Mail." It enables depositors to complete unsecured loan transactions by mail; there's no need for the customer to come to the bank at any time. Nor does he sign the usual note.

The bank's announcement explains:

The depositor fills out a copyrighted application form (see illustration) and supplies personal information.

The form is sent to the bank, and after approval the customer gets a check, endorsement of which is also his signature to a statement committing him to meet all obligations. The application and check are tied together by the name num-

When the canceled check is returned to the bank it is put with the original application and the two constitute a legal instrument with full recourse. This differs from a note only in that it cannot be discounted.

President Richard P. Chapman says: "We are pleased with each forward step, such as this, to make credit more readily accessible and with complete privacy to our depositors."

#### Credit Files

They should be written, readily available, and detailed

VERY bank, regardless of size, Eshould have an up-to-date credit

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On the reverse side of this ap-

plication there

are spaces for

personal informa-

tion about the ap-

plicant

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file on all unsecured borrowers of \$1,000 or more, says Richard G. Kreis, vice-president, The First National Bank of Scranton, Penna.

The file should be in writing, available to any officer. Credit data stored only in someone's memory is useless when something happens to that person.

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Information in the file, Mr. Kreis explained at a National Association of Bank Auditors and Comptrollers meeting, should include the bank officer's opinion as to the efficiency of the applicant's management; whether the company is a one man operation and if so, whether there are understudies prepared to assume management; the type of loan, term, and interest rate.

"If a line of credit is authorized, its extent should be noted. Such written information therefore becomes immediately available to bank examiners, other officers, and the directors," he said.

#### Also Included . . .

"Other information included in the credit files should be replies received from references, which might be either letters or telephone conversations. If replies are all favorable they should be merely placed in the file; if unfavorable information is developed it should be further investigated and particularly noted in the file.

"Further credit information is usually received from national credit reporting companies; and again unfavorable information should be underscored in red or blue pencil.

"The file should also contain references to actual overdrafts and returned checks. This should be done to help prevent kiting of checks and to prevent possible losses. Should

THE MERCHANTS NATIONAL BANK OF BOSTON Main Ofice: 23 STATE STREET

Copley Office: S13 BOYLSTON STREET

THE MERCHANTS "BORROW-By-MAIL" PLAN

LOAN APPLICATION NO

I hereby apply for a loan in the amount and repsyable in the installments and at the times indicated on the reverse side hereof. I warrant the truth of all statements of fact there set forth, which statements are made, under the penalties of perjury, to induce you to grant the loan. I authorize you to obtain from any source any information which you require concerning such statements, and I agree that this application shall remain your peoperty whether the loan is granted or not.

I understand that it is not contemplated that any prominenty note will be executed by noe, and I further agree that your disburement of the next sum requested (as evidenced by my negotiation of your check therefore) shall automatically, and without more, give rived not obligation on my part to repay the ions to you at your handing offices at 642 Beaces Sirver, Beston, Massachusetts, in instalments in the monthly amounts and at the dates set forth on the reverse side hereof.

and at the dates set forth on the reverse side hereof.

It is expressly agreed that the entire unsals balance of my obligation shall become immediately due and payable, without notice or demand, upon the happening of any one of the following specific crents; failure to pay any amount as herein agreed; the finding of any statement, representation or warranty made in this application to be false in any material respect; default by me in the performance of any other obligation to yourselvers; any death; any indexency; (however evidenced.); the commission of any act of insolvency; the making by me of an assignment for the benefit of creditors; the filing by me of any petition or the commence of any proceeding by or against me for any relief under any planturgies or insolvency have or any leave met of any proceeding by or against me for any relief under any bankrupticy or insolvency have or any leave the bank deems this loan insecure.

(Signature of Applicant)

either practice develop to any great extent, the loan should be called and the deposit account closed.

"The loaning officer should make annual notations and comments on the past year's operation, changes in net worth and working capital. He should also include any pertinent changes in management, product, ownership, or borrowing habits.

"A comparative statement of resources and liabilities as well as operating earnings and expenses will provide an easy method of determining the progress of the business.

"A memorandum sheet containing resumés of visits and important points of discussion during these visits should be kept. File newspaper items that may affect the company's credit standing, including court actions either by or against it. Also record the results of bank and trade checkings."

#### Accrual Accounting

It's dynamic, but not automatic, and must be test-checked

Two major benefits from a complete accrual system are audit control and management control, Edward F. Lyle, comptroller and vice-president, City National Bank and Trust Company of Kansas City, Mo., told members of the National

Association of Bank Auditors and Comptrollers.

"The auditor's or comptroller's big opportunity for service," he said, "is in the field of interpretation of results, of budgeting, and of financial forecasting, and an accrual system is an indispensable foundation for rendering that service.

"Probably the most apt comparison that can be made of the accrual method of showing the bank's earning position as compared with the cash method is by analogy of the motion picture and the 'still.' The one is dynamic, giving a day to day picture of the earning rate of the bank as to its sources. The other is static and retrospective, giving a summary of cash receipts and expenditures for a given period.

#### Reflects Earnings Trend

"An earnings and expense statement based on accrual accounting promptly reflects changes in the earnings trend. The utility of such a statement can hardly be overvalued. It is no longer necessary to translate changing interest rates into their dollar and cent earning equivalent or to make memorandum allowances for Government bond interest that usually matures in four months of the year. These changes and irregularities are leveled or averaged by accrual accounting and

are reflected in the next Profit and Loss statement, whether daily or monthly."

#### Daily Earnings Picture

The accrual system, Mr. Lyle pointed out, can furnish an accurate daily picture of the bank's earning power by reflecting immediately changes in the earning assets, or commitments for major expenses. Changes in policy must be based on an accurate knowledge of net earnings, and of the trend in earnings.

"Audit control of interest income and of the assets creating that income is an important by-product of the better accrual systems," he continued. "An axiom of auditing is that we must start with a reliable record. This is also an axiom in the operation of the better accrual systems. In auditing interest income on the cash basis, we are prone to verify the accuracy of the entries as made. Under accrual accounting we start with asset control-establish the potential earning on those assets and then require that the cash income collected be reconciled with the accrued income. The cash income must be proved against a predetermined figure.

"The importance of a tight audit on interest earnings cannot be overemphasized. An embezzlement af-

(CONTINUED ON PAGE 106)

#### **Automation and Jobs**

THE Guaranty Survey, published by Guaranty Trust Company of New York, cautions against exaggerated fear of automation's possible unfavorable effects on employment.

In an article, "Automation: Threat or Promise?" the bank's monthly review says:

"Nothing could be more short-sighted or disastrous than to assume, on the basis of pure hypothesis and in the face of all experience to the contrary, that free enterprise is destined to succumb to the very progress which has made it possible. Automation is merely the current stage of this progres, and there is every reason to expect that a free economy will adjust itself to automation and turn it to the purposes of the general welfare, as it has done at earlier stages."

Recent testimony before a subcommittee of the Joint Committee on the Economic Report "seems to have gone a long way toward quieting fears of

prospective mass unemployment," as a result of automation, the Survey finds. It hopes that both the full committee and Congress will concur in the subcommittee's opinion that there is no need for "specific broad-gage economic legislation."

The bank's publication finds that the different features of automation now being discussed so widely are "merely the forms which advancing industrial technology happens to be taking at the moment"—the mechanical means for "reducing costs of production in terms of human labor." Thus in economic purpose and effect they aren't essentially different from the power loom, cotton gin, sewing machine, etc.

The Survey calls attention to automation's limiting factors: it is not so universally applicable as "some enthusiasts (and alarmists) have assumed;" in most of its forms the initial cost is

high; time is required to train operators, design, build and install equipment. And the rate at which automation can do away with jobs is "limited further by the quantity of new equipment that it requires. The initial effect of automation, obviously, is to create a demand for such equipment and hence for the labor necessary to produce it."

Discussing effects on employment, the Survey agrees that "the main purpose and effect of automation, as of almost every technological change in industry, is to reduce costs by saving human labor... Yet the history of industrial progress is a history of increasing, not diminishing, demand for labor. What the alarmists forget is that every saving in the cost of producing a commodity or service automatically releases an equivalent amount of buying power for the purchase of other commodities and services."

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## **Public Relations**

Advertising . . . Promotion . . . Business Development . . .

**Community Relations** 

#### **New Business Getter**

HERE'S one we hadn't heard before. It's reported by H. F. Dodd, vice-president, THE AMERICAN NATIONAL BANK, Sapulpa, Okla.

The bank's outside officer, Assistant Vice-president Robert Powers, carries with him on his calls one of those one-minute cameras, snaps a picture of the receptionist, customer or prospect, and presents it on the spot in a bank folder.

This method of conditioning the customer or prospect for the call has been most successful, says Mr. Dodd, adding: "The cost per contact is nominal and the personal approach is proving very popular."

#### "Extra-special" Service

To its numerous special and somewhat extra-curricular facilities, CITIZENS & SOUTHERN NATIONAL BANK, Atlanta, has added a Small Business Service Department.



Cover of the snapshot folder

Sapulpa, Okla.

Headed by Vice-president John E. Parkerson, it will provide small and growing businesses with help in record-keeping, management problems, pension and profit-sharing plans, plant or office locations, and specialized lending. th

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Each of the bank's 22 offices in Georgia has set up a separate department under an officer trained for the job.

"Larger firms employ specialists to help them in these fields," said President Mills B. Lane, Jr. "Our aim is to give smaller local firms the kind of assistance they require but now find it difficult to get."

#### **Bank Finds Apartments**

Citizens & Southern's Industrial Development Department, established a year or so ago to sell Georgia's advantages as a site for plants, warehouses or branch offices, is now providing not only tailor-made brochures on any city or town in the state, but a service for the personnel of companies that are moving into the state.

"We have men who devote the greater part of their time to locating apartments and suitable houses for these folks," Vice-president Robert A. Alston told a meeting of FPRA people.

"The official personnel of the companies are introduced to our bank by means of 'newcomer luncheons' held in our diningroom. Although no sales effort is made on these occasions, they do give us opportunities to meet and know these people."

#### A Machine Can't Smile!

A New York City banker, talking to savings bank women, told them that customer relations was not only "the cornerstone of all business," but of their own careers.

"Your salary, your personal success, and the success of your bank hangs upon you, and the way you deal with your customers," said M.

First National Bank of Minneapolis is making good use of its new main office site. The plot has been made into a skating plaza, 110 feet square, free to all skaters. The idea came from Vice-president Lyman E. Wakefield, Jr., a former national intercollegiate figure skating champion. Several special events are being held on the ice this winter. Local newspaper, TV and radio publicity has been enormous



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Bernard Cooke, who is in the service department of UNION DIME SAVINGS BANK. "Your business is customer relations. Make it the cornerstone of your career."

As for "automation," Mr. Cooke pointed out that only the word is new, not the process. "That started with the invention of the wheel, or perhaps before. It has been speeded up today, and it highlights the importance of customer relations.

"Somehow, I fail to imagine a mechanical device which can exude the charm of a pretty girl, which can stop me cold with a flutter of its mechanical eyelash, and start my heart beating again by a sweet and friendly smile."

Observing that "there's more to being a good teller than mechanical efficiency," Mr. Cooke reconstructed one of those "It wouldn't happen in your bank, but-" incidents:

"We've all been in other banks and stood in a teller's line. He's lugubrious, dour, but often quite efficient. He grabs the book, flips it open, counts the deposit, accurately and efficiently scrutinizes each bill, while vou wonder if maybe a counterfeit is in there. He takes a quick glance at you and checks the bills again as

(CONTINUED ON PAGE 132)

Louisiana National Bank, Baton Rouge, shows its customers what will happen if they die intestate. After noting the effect on persons of various statutes, the folder suggests that "your attorney and our trust officer" would be a good team to draft an estate plan "embodying many economies for you." The leaflet is distributed at the entrance to the safe deposit vault



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School savings was featured by the B.M.C. Dur-Trust Co.. fee Fall River, Mass., in its display at the local Do It Yourself Show. Boys from a vocational school made a model of a newer building which was contrasted with a "red school-house." Pictured, l. to r., are J. A. Robinson, Miss Genevieve Pachurek, and F. L.

Buswell of the bank staff

SCHOOLS

#### Banks Aid "Best" City Parking Plan

New HAVEN, Connecticut, has a parking plan which has been called "the best in the country"-and the city's banks provide the machinery that makes it click. "Deposits" of parking refund tickets are cleared just like regular checks.

The New Haven Chamber of Commerce developed the plan which works as follows:

The driver parks in one of the 28 lots or garages that are members of the plan. When he pays his fee the attendant gives him a claim check, then affixes stamps good for a refund on an hour of parking, payable to the motorist when he returns for his car.

#### How It Works

Explaining the operation, the Journal of the Union & New Haven Trust Company says:

"The crux of this plan was a matter of bookkeeping and accounting-finding a practical means of validating parking refund tickets for motoristshoppers who might buy at any of many stores and park at any of many meters.

"For example, up to November 1 the local plan had issued some 425,000 claim checks. These are the parking ticket stubs on which the plan's 5-cent stamps are pasted as the shopper earns parking refunds in the stores he patronizes. Holding up to eight stamps each, each claim check obviously might be worth 5, 10, 15, 20, 25, 30, 35 or 40 cents in refunds. With more than a score of parking facilities likely to participate in the plan, clearly a very considerable amount of financial paper work was going to be involved.

"The Chamber consulted the banks and the answer was found in the readymade machinery of the regular checking account. All that was necessary was for each parking lot or garage to come up at the end of each business day with the equivalent of a bank check. This was done by taking a large envelope, counting the dollar value of each day's refund stamps, putting that dollar total on the outside of the envelope, enclosing the refund stamps and treating the envelope full of refund stamps as one would a regular bank check.

#### Claim Checks Are "Deposits"

"As the plan now operates, these envelopes full of claim checks bearing stamps worth from 5 to 40 cents each reach the various banks as 'deposits' made by parking lot and garage owners participating in the plan. These deposits are handled exactly like regular checks sent in for deposit-credited to the customer's account, sent to the New Haven Clearing House for clearance, and finally charged against the parking plan account of the Chamber of Commerce, 'banker' for the plan.

#### The Stamps Return

"Finally, rounding out the typical checking operation, with its return of canceled checks to the depositor, the envelopes full of 'paid' stamps go back to the Chamber of Commerce together with the bank's statement of account."

The plan has received nationwide recognition. The National Parking Association, after studying plans that use validating stamps or tickets, said the New Haven method was the best.

## **BANKS** and **PEOPLE**

Stories That Make News

## Finders Aren't Keepers

A 10-YEAR-OLD from the Colorado State Home for Dependent Children in Denver found a wallet containing \$175 and promptly returned it to the owner. Asked what reward he'd like, the lad answered, "A pair of boxing gloves." He got them, of course.

T. Arthur Williams, vice-president of The Central Bank and Trust Company, Denver, likes young folks. He read of the incident, with the result that the bank gave the small boy a membership in the Y.M.C.A. so that he could learn to use the gloves.

Within a week two other lads found and returned money. Then

two more cases of "finders aren't keepers" were reported, and Art Williams went to his president, Elwood Brooks, with an idea.

"Let's start a club for honest kids," Art suggested.

"Fine!" said President Brooks. And thus began the Central Bank Honor Award Club.

#### \$31,750 Returned

That was nearly a decade ago. As 1956 opened the club had 919 members—boys and girls of 14 or under who have found and returned more than \$31,750 in cash lost by Denver people. Each is rewarded



T. Arthur Williams, vice-president of Central Bank, and founder of the Honor Club

not only with membership in this exclusive club, but with a member's card in the "Y" for boys who want it, or a \$7.50 savings account. The bank deposit is also the girls' award.

Central Bank pays all expenses of the club and stands treat at the annual Christmas party, given around the middle of December. This affair is attended by the year's new members and by such guest notables as the governor, the mayor, Federal district judge, juvenile court judge.

New members — sometimes as many as five—are admitted at a special ceremony each Saturday. Gold pins inscribed "Central Bank Honor Club," and the savings accounts or "Y" cards are presented. There's a picture of the occasion in the Rocky Mountain News, which has cooperated closely with the project from the beginning; in fact, the organization is now known as the "Central Bank-News Club."

"The club is for kids who find just money and billfolds containing



Max G. Brooks, vice - president, Central Bank & Trust Co., Denver, gives the Honor Club pin to Norval Geshell, 10. The boy found and returned the purse of Miss Grace Whitcomb, secretary to Judge David Brofman, who watch the presentation

money," says Mr. Williams. "Youngsters who find 50 cents are eligible for membership. They are just as honest as those who find \$500—as a matter of fact, it's easier for them to spend half a dollar than it would be to get away with a large sum."

The News always uses a big story on the annual Christmas meeting. The 1955 party was covered by Reporter Al Nakkula, who explained that he was the club's only honorary adult member. ("I once found a wallet containing \$4 and returned it to its 3-year-old owner.")

"Banks and People" is by JOHN L. COOLEY of BANKING'S staff.

"Highlight of the evening," he wrote, "was introduction of the club's newest member, Norval Geshell, 10. Norval was shopping with his mother when he found a purse belonging to Miss Grace Whitcomb, secretary to David Brofman, judge of Denver's County Court.

"The purse contained the keys to the court. Judge Brofman later explained: 'If the keys hadn't been found, court would have been in recess!'

"Practically by judicial order, Mr. Williams and Elwood Brooks, president of Central Bank, made young Norval a member in time to join the Christmas party chicken dinner and festivities."

Mr. Williams expects the membership will top 1,000 by the end of 1956.

Meanwhile, even though finders aren't keepers in Denver, Central Bank has found and is keeping a sizable chunk of public goodwill,

## The Golden Rule in a Bank

Some years ago a young man named Willard Denton took a rather sharp dislike to the banking business, and you couldn't blame him. Every time he visited the bank (mostly for withdrawals!) the guard—a burly fellow with a gun—seemed to single him out for special surveillance, shadowing him around the lobby and snooping over his shoulder at the teller's window. The lad concluded that if this was the way banks acted, he didn't like them or their works.

Well, believe it or not, Willard grew up to be president of the \$300,000,000 Manhattan Savings Bank in midtown New York City. And remembering that boyhood experience, he decided to apply the

New Yorkers Drop in for Holiday Teas, Easter Concerts, World Series Telecasts

Golden Rule to the bank's contacts with people: Do for others the things you'd like to have them do for you.

And so this big, 100-year-old institution at Madison Avenue and 47th Street in the city that is supposed to be heavily calloused with commercialism, does many good turns for New Yorkers: the men and women working in its neighborhood, the shoppers, the people living on nearby Park Avenue and on other

less glamorous streets. In its customers' lounge and lobby, for example, there are, as the seasons move along, World Series telecasts, Holy Week concerts by church choristers, green carnations for St. Patrick's Day, and in 1955 for the first time, Christmas teas combined with special festivities.

#### Friday Afternoon Teas

The teas were something you stumbled on, by chance; they weren't advertised, except by word of mouth. Each Friday afternoon between Thanksgiving and Christmas the bank called in a big-name caterer, tables were set in the lobby, and you or any other passerby were welcome to a warm beverage,



On the Madison
Avenue sidewalk,
folks first looked
in, then entered.
And many of
them stayed for
refreshments at a
lobby tea table on
a Friday afternoon



cookies, music, and holiday atmosphere.

The setting was so unusual that you wondered whether you really were in a bank, after all. One section of the lobby had been set off as "Christmas Corner" where Santa Claus (an ordained minister, by the way) waited to receive the confidences of little New Yorkers, pass out lollypops, and listen to exclamations over the gorgeous toys at the foot of the great blinking tree. An organist played carols and accompanied a professional male quartet. An ancient sleigh and a towering Florentine gilt throne for Mr. Claus heightened your amazement at such goings-on in a "business establishment"-in New York City, of all places.

As a matter of record, Santa was on duty during the five weeks before Christmas. Nobody counted the children who talked to him, or peered at the Book of Good Boys and Girls that stood beside his throne, or accepted the gift stocking; and nobody tallied the parents who, on pre-holiday business visits to the bank, were invited to have their youngsters write letters to Santa. Nor did President Denton count the times he shook hands. Statistics were lost in the merry shuffle.

#### A Reporter Stops By

When Meyer Berger of *The New York Times* happened by one Friday afternoon he got a story for his "About New York" column. He reported, among many details, that grown-ups seemed deeply moved by what they saw and heard.

"An elderly woman, dressed in black, was emotionally swept by the atmosphere and the music last Friday night," Mr. Berger wrote. "She pressed Mr. Denton's hand. Her tears welled and glittered in the candlelight. She said, "Thank God for places like this!"

The *Times'* story inspired Mrs. Elizabeth Rowland of Lafayette, Ind., to write a poem, "Christmas at the Manhattan Savings Bank," which she sent to President Denton.

A bank might think that one over as it tucks into mothballs its memories of Christmas 1955 and again when it plans for Christmas 1956.

Remember, too, that the idea behind this little story can be applied at other times of the year.

Friendliness knows no seasons.

## Hanover's Wishing Star



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This drawing of Nashua accompanied Karen's \$24.03 bid

#### Bank's Gift Horse No Nashua, But Who Cares?

<del>\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*</del>

You're 12 years old, and you live in the country, and you've just got to have a horse.

And you read in the paper that a bank and a man—called, cryptically, "executors of the estate of the late William Woodward, Jr."—are going to sell a whole herd of horses, one of them a fellow named Nashua.

So what do you do? Well, if your name is Karen Ann McGuire you break the piggy bank, count the coins salvaged from a weekly allowance of 60 cents (plus dog-walking fees), and write a letter to "Hanover Bank and John Ludewig, 70 Broadway, New York." You say:

Dear Sirs: I read in the papers today that you are going to sell Nashua and his friends. If you have a horse that no one will buy, I would like to. You can send him or her to the following address, 22 Rutledge Rd., Valhalla, N. Y. The horse will have a good home, one and one-half acres of woods and fields and loveing care. I would like a horse that would grow old with me.

My sealed bid is \$24.03, but maybe by the time you open the bids I have earened some more money I can pay a little higher.

Sincerely yours,
Karen Ann McGuire
P. S. My place is called Bramble Hill.

#### She Forgot the Binder

Karen enclosed her own drawing of Nashua, to facilitate the deal.

When the letter reached R. E. Mc-Neill, Jr., president of the Hanover, he showed it to several associates, and before you could say "Nashua"

\*

Karen gets her horse from D. R. Hassell of Hanover Bank, while some of her (envious?) friends watch





Karen's Horse was top priority project at one of New York's big banks.

Officers at Hanover did some conferring among themselves, then dispatched Assistant Secretary Donald R. Hassell to Karen Ann's home in Valhalla, N. Y., to confer with her folks. (Her father is assistant district attorney of Westchester County.) There was considerable secret conversation among the three adults.

#### A Trip to New York

A couple of days later Karen and her parents took a trip to the bank's Rockefeller Plaza office in New York. Mr. Hassell was there, and a lot of reporters. There was also a letter to Karen from Mr. McNeill. It said: Dear Karen Ann:

Thank you for your letter and the fine drawing of Nashua.

As you know, Nashua and all his friends have been sold. Your "sealed bid" could not be accepted, and we are especially sorry because you expressed your interest and love for horses so well in your letter.

But we feel we cannot disappoint you, so several officers of our bank joining together to buy you a horse which we hope will be delivered before Christmas.

Merry Christmas to you, Karen Ann, and good luck with your new animal!

> Sincerely yours, R. E. McNeill, Jr.

Just like that—imagine!
A horse auctioneer was present,

too, and Karen Ann gave him her specifications; a chestnut horse would do very nicely.

And that's what Karen Ann got. His name? "Hanover's Wishing Star."

Now H.W.S. is no Nashua. He'll never thunder down a back stretch, never get his number on a tote-board. But up in the Westchester hills he'll be growing old with Karen Ann McGuire. Could even Nashua ask for more?

(There is, of course, a practical postscript to this report. The story made almost every first page in the country. And the presentation of Hanover's Wishing Star at a stable in Greenwich, Conn., did almost as well.)

### **Bank Aids State School Chorus**

THE Merchants National Bank of Manchester, N. H., finds time to befriend a choir at the State Industrial School where boys and girls are rehabilitated.

Organized a couple of years ago, the young singers' expenses are underwritten by a trust administered by the bank which has also supplied them with caps and gowns. The chorus opened its 1955-56 season with 10 engagements, including a pre-Christmas appearance in the Merchants' lobby where young people had also sung the previous year.

The choir was formed as a result of a concert given at the school by some other Manchester singers directed by Lionel Smith, a vocal teacher. The children were so enthusiastic that a second concert was given; and then plans were made to organize a school choral group with Mr. Smith as leader. Inasmuch as this was an extra-curricular activity, there were no funds and that's where the bank's trust, the Samuel Hunt Foundation, stepped in.

#### **Everybody's Welcome**

"At the present time," says Clifford R. Thatcher, vice-president of the bank, "there are between 40 and 50 students in the choral group. Any student interested in singing is welcome to join; Mr. Smith teaches them two afternoons a week.

"A year ago the suggestion was



New Hampshire Industrial School choir ready for a concert in Merchants National lobby

made that we invite the choir to the bank for a Christmas program. The school's superintendent, Edmund R. East, liked the idea, and said that although the children had never appeared in a public concert he felt the experience would do them good. It would make them realize that they had talent and could contribute to the spirit of Christmas."

Four hundred people attended both the 1954 and 1955 carol concerts in the bank. The first appearance attracted so much attention that other engagements followed.

After the bank programs were over, Merchants National enter-

tained the choir with refreshments in its lunchroom.

#### Girls Get Choir Jobs

Several of the girls who have left the school are now singing in church choirs, and one wants to study voice when she can afford it. Another girl who had been released from the school a day or so before a concert wanted so badly to sing with her friends that she asked to stay until the program was over.

"We feel that this is a very worthwhile program and expect to have the choir again next year if it can be arranged," says Mr. Thatcher.

## Thoughts on Management of

# The Government Bond Portfolio

FRANCIS M. KNIGHT

MR. KNIGHT has recently retired as senior vice-president of the Continental Illinois National Bank and Trust Company of Chicago.

Let me explain that I am discussing portfolio work in a sizable bank, where, in the bond department alone, there was available the teamwork of some 14 officers and many others, and most of the work was centered on a portfolio of Government obligations. It may be that one man in a small bank does all the work of a bond department, but understanding the various operations in a large bank should help him to analyze the various functions that he must perform in his own bank.

When I started to specialize on portfolio work some 22 years ago, the moratorium had just ended, and the price of Governments had declined so severely that commercial banks wanted to own the minimum of Governments and the shortest maturities possible. Many large banks had no Governments beyond one year, and ours was no excep-

tion. Fourth 41/4's had sold down to 89 and a fraction; few bankers understood the full significance of President Roosevelt's move of taking us off the gold basis, or Federal Reserve Chairman Marriner Eccles' plan for a managed money market. As the Government's deficits started to mount, and the Treasury was obliged to borrow large amounts of new money, most of the bankers, not understanding the new techniques of open market operations and central banking, held their portfolios to the 1-year maturity, feeling sure that interest rates were going to rise still further, and woe betide the banks that bought and held any of the very attractive new Treasury issues being offered in gradually extended maturities! Actually, if the older bankers had then understood managed money and central banking, which the younger bankers are now learning so well at the schools of banking at Rutgers, at Madison, at Baton Rouge, and at Seattle, they could have built up a portfolio of Governments with staggered maturities that would have been the most profitable purchases they could have made.

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I am convinced that it is a "must" for every good portfolio man to know his central banking and managed money. Central banking is not difficult to learn, and it becomes fascinating to follow the moves of the Federal Reserve from week to week; and, to help further understanding, there are a wealth of background data available in the Treasury Bulletin and in the Federal Reserve Bulletin. Many of the leading dealers and dealer banks send out to customers their weekly interpretations, and for a reasonable annual fee there can be had the comments of experts interpreting their own views and reporting helpful information from Washington.

#### **Loan Operations First**

It should be clearly understood that portfolio operations must always play second fiddle to loan operations, yet both must work in close harmony. If a bank's customers have need for sound loans, they must be accommodated or they go elsewhere. There have been periods when loans were twice the amount of Governments in commercial banks: in December 1941 they were about the same. At the close of the war, December 1945, Governments held by banks were over three times total loans. Now, loans have swung back to about 40% more than total Governments, increasing almost inversely with holdings of Governments. It is apparent that it becomes the problem of the portfolio manager to supply funds for the loaning officers when needed, and to take up the slack and invest them when loan demand lessens. A wellmanaged bank must keep fully invested at all times, an operation that requires time, attention, experience, and sound judgment.

#### Know the Tax Laws

No portfolio man is worthy of his position who is not thoroughly posted on taxation and on changes in tax laws from year to year. Knowledge of some of the peculiarities of tax laws can be very valuable. A bank can deduct a net loss from the sale of securities from fully taxable operating earnings. Thus, the bank absorbs only 48% of the loss and the Government absorbs 52%, to the extent the bank has taxable earnings in excess of \$25,000.

Inasmuch as security losses are first reduced by any long-term capital gains, subject to 25% tax only, the amount of such loss offset results in only 25% tax savings. Consequently, no selling program for loss consideration should be done in the same tax year that substantial longterm capital gains have or will be taken. Even though the Government absorbs 52% of the loss, sales for tax loss purposes ordinarily should be made only when the funds can be reemployed in such a way that the loss will be more than recouped through reinvestment at higher vields or future capital gains taxable at a 25% rate.

#### On Discounts

Recently many Government obligations have been selling at a discount, some as much as five points. It should be remembered that most banks amortize regularly a premium over par, thus reducing the net yield that is taxable at 52%. But a bank does not amortize regularly a discount. It pays a tax only on the coupon received, and no capital gains tax on the appreciation to par until maturity, and then the rate is only 25%. Of course, if the bond is sold prior to maturity (but after ownership of six months or more) the capital gains tax is still only 25%. And don't forget that a \$1 tax paid five years from now, even with no change in tax rates, is not as great as a \$1 tax paid next year.

#### Do Some Quick Figuring

Before making any move of importance in the portfolio, it is helpful to have a projection made by someone accurate and quick at figures, and with a working knowledge of tax laws, showing what the results would be from a proposed sale and purchase; for example:

- (1) Premium added to or subtracted from the book value (as carried on the books of the bank after amortization).
- (2) Effect on profit or loss, gross and after taxes.
- (3) Effect on income for the balance of the year, before and after taxes.
- (4) Effect on annual rate of income, before and after taxes.
- (5) On a switching operation the combined effect after taxes on income and capital gains or losses for a comparable period of time over the

life of the issues involved, to be sure the switch is worthwhile in the long run.

#### **Spacing Maturities**

Spacing of maturities in a portfolio is a consideration worthy of top management's best judgment. Selecting maturities on a ladder is a conservative hedge for a commercial bank. If all holdings were only in short Governments, and interest rates declined while investable funds increased, the bank is whipsawed, losing its maturities as they run off at a time when there is a decreasing rate of return on its new investment. On the other hand, if a banker puts all his chips on long bonds and then encounters a period of credit restraint such as we have recently witnessed, with falling prices of securities and diminishing deposits, he then finds himself "over a barrel." If he needs liquidity, he is forced to liquidate his Governments at a loss, which is not pleasant. There is no credit risk on a Government bond held by a bank, provided the bank is not forced to sell to gain liquidity.

#### The In-and-Outer

I realize that a portfolio man suffers a temptation to prove to his board or his superior officer how smart and valuable he is by selling out obligations when the market looks high, and by buying on the low. With the flexible monetary policy now being employed by the Federal Reserve Board, how simple it would seem to move in and out of Governments, piling up sizable capital gains with a tax of only 25%. And there are cases where this has been done-but not many without error. But a single mistake could easily involve a loss greater than the profit of a half dozen other brilliant moves. The officer frequently is right in theory but misses his "timing." And if he is "out of position" when some unpredictable event happens, such as the Germans invading Holland, the Japanese bombing Honolulu, the invasion of Korea, or some important news from Europe, or even the health of our President, all of which might have sudden effects on the sensitive Government market, then he would regret his moves even though he had been right otherwise. And it should be remembered that in the spread between bid and asked there is always a cost of doing business in

every move. And whenever there is a profit, the Treasury is your silent but ever present partner, and shares your joys.

In my opinion, the policy of having maturities on a ladder is the only conservative hedge, but just where do you foot the ladder and how many years out do you go? That's the \$64,000 or \$64,000,000 question. In theory, in a period of low prices and high interest rates, longer maturities protect the high earnings for a longer period; and, conversely, a period of credit ease is not the best time to lengthen a portfolio. Good judgment in placing the rungs of the ladder, and on deciding the amounts on each, becomes very important.

#### **Ample Liquidity**

Ample liquidity must always be maintained to take care of seasonal fluctuations, and, of course, any known or probable heavy withdrawals-such, for example, as one gets in Cook County, Illinois, over the April 1 personal property tax return date-must be provided for. The holdings for liquidity should be invested almost independently of the portfolio as a whole, so that purchase or sale can be promptly effected without any impact on the portfolio as a whole. Only experience with individual accounts in a given bank can help determine the proper amount of liquidity; it wouldn't seem possible to produce a formula that would apply equally well to all banks.

#### The "Money Position"

And liquidity leads right into the question of the so-called "money position" of the bank. Someone must have the responsibility to see that required reserves at the Fed are calculated daily, and properly met without spilling over with sizable uninvested excess reserves. The fact that there are, on the average, excess reserves in the Fed of about \$500,000,000 a day (being "mostly due to country banks") means that banks, at the discount rate of  $2\frac{1}{2}\%$ , are tossing out of the window about \$12,500,000 of gross earnings a year just because someone hasn't time or doesn't understand the importance of investing his excess. Again, someone must see that balances of carefully considered amounts are properly maintained with correspondents.

(CONTINUED ON PAGE 156)

# National Survey of the Size of Trusts

### Small-Income Trusts Are in the Majority

VER 63% of all trusts administered by the nation's trust institutions produced an annual income of less than \$3,000, the American Bankers Association Trust Division's third national trust income survey shows. The results of the survey were announced by Richard P. Chapman, president of the Trust Division and president of The Merchants National Bank of Boston.

The survey was conducted by the Trust Division Committee on Trust Information, composed of the following members: Floyd L. Dwight, vicepresident and trust officer, First National Bank of Minneapolis, Minn., chairman; Francis W. Appleton, trust officer, Citizens Northern Valley National Bank, Englewood, N. J.; William O. Heath, vice-president, Harris Trust and Savings Bank, Chicago, Ill.; C. B. Leonhard, vice-president, Detroit Wabeek Bank & Trust Company, Detroit, Mich.; Edward W. Nippert, vice-president and trust officer, The Fifth Third Union Trust Company, Cincinnati, O.; and Earl G. Schwalm, vice-president and trust officer, Lincoln National Bank and Trust Company, Fort Wayne, Ind.

The request for information, which was sent to the 2,855 members of the Trust Division, limited the survey to testamentary trusts, living trusts, and life insurance trusts. Probate accounts, agencies, corporate trust business, etc., were specifically excluded from the survey. Replies were received from 862 banks and trust companies.

The first national trust income survey was conducted in 1941 and reported in the May 1942 issue of the *Trust Bulletin*. The second was conducted in 1946 and reported in the May 1947 *Trust Bulletin*. Thus, the current survey was conducted nine years later.

#### 42.9% under \$1,200

The results of the survey explode the myth that trust services are used only by the wealthy. Since trusts are invested within a strict legal framework, the amount of income produced annually is an indication of the size of the trust involved. The survey shows that 33.8% of all trusts reported produced less than \$750 a year in income, the average being \$261; 42.9% produced less than

\$1,200, the average being \$411 yearly; and 63.7% produced less than \$3,000, with a yearly average of \$935. (See Table I.)

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"These figures are rich in social and economic significance," Mr. Chapman said. "When they become more widely known by the general public, there should be a greater appreciation of the service trust institutions are performing for all people in all income brackets and in all social circumstances. Many of these trusts produce income direly needed for the benefit of women and children. The income is used for the support and maintenance of the home, education of children, care of parents, and a multitude of other purposes. It is absolutely imperative that such trusts have competent administration of the type offered by trust institutions."

The survey shows that 17.6% of all trusts reported produce between \$3,001 and \$7,000 in income per year, with an average of \$4,719. The \$7,001 to \$10,000 income group represented 5.7% of all trusts, with an average income of \$8,287; the \$10,001 to \$25,000 group, 8.6%, with an average income of \$15,418; and the over-\$25,000 group represented only 4.4% of the trusts reported.

The results of the current survey cover 161,591 trusts, managed by 862 trust institutions in all sections of the country. The 1941 survey showed 1,047 trust institutions reporting; and the 1946 survey, 868.

The number of trusts reported shows a decline of 9,565 during the war years—from 153,646 in 1941 to 144,081 in 1946. That number has been regained, however, and in(CONTINUED ON PAGE 168)

TABLE I	Number of Trusts in Group		Percent of No. of Trusts for U. S. in Group			
Income Group	1941	1946	1955	1941	1946	1955
Under \$750 \$751-\$1.200	74,989	63,745	54,548	48.8	44.2 9.7	33.8
Under \$1.200	15,148 $90,137$	13,997 77,742	14,732 69,280	9.8 58.7	54.0	42.9
\$1,201-\$3,000	27,541	28,140	33,627	17.9	19.5	20.8
Under \$3,000	117,678	105,882	102,907	76.6	73.5	63.7
\$3,001-\$7,000	18,677	19,974	28,462	12.2	13.9	17.6
\$7,001-\$10,000	5,503	5,716	9,139	3.6	4.0	5.7
\$10,001-\$25,000	7,834	8,470	13,911	5.1	5.9	8.6
Over \$25,000	3,954	4,039	7,172	2.6	2.8	4.4
\$3,000 and over	35,968	38,199	58,684	23.4	26.5	36.3

## Canada's Dollar in the U.S.

YANADIANS, the best customers of the United States in both trade and travel, find their own money regarded as worthless in many parts of that country. In a year of record business activity like 1955, Canadians will buy from the United States more goods on a cash and carry basis than all of continental Europe-more too than all of Latin America. The travel expenditures, including those for merchandise as well as for transportation and accommodations, will run to about \$300,000,000 annually, or, on a per capita basis, 10 times those of American visitors to Canada. Yet Canadians traveling and spending, or trying to spend, their own currency, one of the best in the world today, have had it rejected even in such large centers as New York City, Washington, and St. Louis.

#### "That Stuff"

A few incidents may serve to confirm this statement-indeed, to indicate how Canadian money has been treated with as much disrespect as might be shown to Russian rubles. A lady from Montreal tendered a Canadian dollar bill in payment of her lunch at a large department store in New York City, only to have it thrown back at her with the caustic remark, "We do not want that stuff." A Canadian businessman and his wife visiting a major city in a southwestern state found their Canadian funds unacceptable anywhere and were saved from actual hardship only when the lady found a \$10 American bill in her handbag. On a recent visit to New York City and Washington the writer had his Canadian money refused at a hotel and a ticket office of one of the largest railway sys-

Canadian currency is, like its American counterpart, the product of work and service. It has a very long record of redemption, even during the worst depressions that the world has suffered. Moreover, it has a lengthy history, for Canada has CHARLES M. SHORT

the distinction of issuing the first paper money in North America. An intendant (financial official) of New France cut playing cards into four pieces, marked them good for various amounts and issued them to the troops and merchants. This "card" money was redeemed when funds came from France some months later, so its issue was harmless.

But the same good faith did not always prevail in the case of later issues. In 1760 the small colony of 60,000 people had 80,000,000 livres in money and bills, of which only a small fraction was ever redeemed. This unfortunate experience did not end here. Phips' unsuccessful attack on Quebec in 1690 left him and his officers without the loot with which they expected to finance their expedition. Knowledge of the French "card" money system gained by Phips' forces is believed to have led

In this painting by Walter de Maris, which appeared on BANKING'S cover for May 1929, a French soldier of the 17th Century is shown demanding that the Canadian civilians honor his playing card money, which can be seen lying on the table. Intendant Demeulles first issued this "fiat" money in 1685, when a shipment of French coins for the troops was delayed for several months



the Colony of Massachusetts to raise the required funds by putting out printed bills. One colony after another followed suit, and before long all were flooded with depreciated money. Then the British Government prohibited further issues, except for emergencies, an order which fanned the flames of the revolution. The new American Congress financed itself by currency issues-"Continental money," it was called - in place of taxes until its bills were almost worthless. Eventually the whole amount outstanding was redeemed at 3% of its face value, and that well-known phrase, "not worth a Continental," so eloquent of currency folly, became part of the American vocabulary.

#### The Canadian Record

From the time of the British occupation of Canada until the present, which includes a period of more than a century of self-government, there has never been any large overissue of Canadian paper money such as "greenbacks," nor has there been any widespread failure of redemption. In fact, the monetary laws of Canada, effective through the banking system, have practically prevented overissue or failure of redemption. For over 80 years most Canadian money has been issued by the banks-in recent times by the central bank, The Bank of Canada. The issue now in the hands of the public is about \$1.5-billion, which is backed by all the assets of the Bank of Canada of more than \$2.5-billion, and by nearly \$2-billion in gold and reserves of American dollars, although the latter are regarded primarily as protection for Canada's perennial trade deficit with the United States. The central bank is a government-owned institution, so in effect its currency issue is guaranteed by a government with an enviable record of political stability and sound financial policy. But the strongest backing of all is an economic system of such large propor-

(CONTINUED ON PAGE 110)

## GOVERNMENT BONDS

Money Squeeze . . . Bill Rates at New Highs . . . Dealer Repurchase Agreements . . . OMC Moves Moderately . . . The \$64,000 Question . . . Mild Market Decline . . . Possible Market Stabilization

#### MURRAY OLYPHANT

The immediate outlook is for little change in the prices for Government securities. The Federal Reserve authorities will undoubtedly act either to sop up any excess credit by selling Treasury bills in the market or, on the other hand, to set the red light against loan increases by raising the rediscount rate.

After the lapse of a month or so the outlook may clear up. For the present we can only await developments.

Industry's plans for increased production assure a heavy demand for capital provided the consumer shows no indication of unwillingness to continue buying, and there is as yet no evidence of that.

By the same token, the demand for loans should remain high even if customary repayments in the early part of this year temporarily slow the rise in the total.

As a consequence the supply of credit still seems likely to be more than offset by continued demand. Hence there is little justification for expecting money rates to show an easing tendency.

#### Money Squeeze in December

On the whole the year-end money squeeze was not as tight as it might have been. Nevertheless Treasury bills sold at well above the rediscount rate. Dealers took so large a part of the weekly offering of bills that repurchase agreements at the Federal Reserve banks were consistently needed and granted. "Negative" reserves were high until the mid-month "float" not only rose as usual but remained high for several weeks as the result of weather conditions which slowed check clearances.

Meanwhile the Open Market Com-

mittee continued to add to its holdings of Treasury bills to a sufficient extent to permit the usual rectification of year-end bank statements.

#### **Bill Rates at New Highs**

What happened to Treasury bills is clearly shown in the following tabulation:

Date of Sale	Average Rate per Annum Basis	Low Accepted Bids at Varying Amount
12/5/55	2,471%	2.54%
12/12/55	2.591%	2.60%
12/19/55	2.618%	2.65%
12/23/55	2.688%	2.70%
12/30/55	2.489%	2.51%
Average for		
5 1991109	2 5707	9 6007

The lower rate on December 30 was because payment for that issue was not due until after the first of the year—hence after year-end bank statements had been prepared.

For the month the average cost to the Treasury was above the rediscount rate but this had been anticipated and seemed likely to decline after the year-end. It was not regarded as threatening an early rise in the rediscount rate.

#### **Dealer Repurchase Agreements**

The value of the dealer fraternity in taking and placing bills in the market was very clearly demonstrated in these five weekly offerings. Their allotted purchases were very large during the month as follows:

 $\begin{array}{lll} 12/5 & -\$510,000,000 \text{ approximately} \\ 12/12 & -\$380,000,000 & ``\\ 12/19 & -\$404,000,000 & ``\\ 12/23 & -\$424,000,000 & ``\\ 12/30 & -\$463,000,000 & ``\\ \end{array}$ 

As each weekly issue was for \$1.6-billion, dealers took care of well over 25% of the offerings and naturally were forced to make repurchase agreements to carry their commitments. For the respective dates these were reported to be:

12/7 - \$296,000,000 12/21 - \$282,000,000 12/14 - \$114,000,000 12/28 - \$416,000,000

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These figures represent minimum amounts as it is generally known that fair amounts of R.P.A.'s are made elsewhere than at the Federal Reserve.

Nevertheless redistribution of the bills was accomplished from week to week in satisfactory volume.

#### **OMC Moves in Moderation**

The Federal Reserve portfolio rose \$400,000,000 from November 30 to December 28. Of this amount, \$233,-000,000 consisted of bills and \$167,-000,000 of certificates. The purchase of the latter excited considerable comment as it was apparently contrary to directives from the Federal Reserve Board which for some time has confined all transactions to Treasury bills. However, the purchase was so obviously intended to facilitate the final placement of the 25% certificates in the December refinancing and the amount so moderate that it appeared to be merely an exception to prove the rule.

It is also of interest to note that the total Government portfolio of the Federal Reserve banks on December 28 was \$24,807,000,000, which was \$147,000,000 less than a year earlier. The composition of the portfolio changed very little. About 84% of the total has a maturity of one year or less, while over 57% of the total consists of notes. Bill holdings at \$1.5-billion are still very low in comparison with nearly \$21-billion outstanding.

#### The \$64,000 Question

What the bond market does will be largely determined by the increase or decrease in the total of loans. What loans will do early in the year

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is therefore the \$64,000 question.

What business does determines the volume of loans. Loans use up credit. Credit becomes scarcer and its cost rises. The yield on fixed income securities rises. Prices decline — at least that is the normal expectation. That is what happens in the absence of any action by the monetary authorities to increase the supply of credit.

The general average of opinion seemed to be that January would end without much change in the total of loans. Some look for an increase, some talk of a decline, but most for little change. If the last are correct then little change in bond prices is to be expected.

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on the one hand, suppose loans start rising contraseasonally. At some point would not the Reserve authorities apply the brake of a further rise in the rediscount rate and also stop buying Treasury bills?

On the other hand, suppose the supply of credit increases as currency returns from circulation, the float remains above normal and perhaps loans show some decrease. This could stimulate bond purchases and

a rise in prices. At some point would not the Federal authorities start selling bills from their portfolio?

In short, the expected outlook seems to be for relatively little change in prices for the near term. Day to day fluctuations? Yes, but backing and filling rather than a trend. Too much movement in either direction and from whatever causes can be countered by Federal Reserve action.

#### Market Declines Moderately

For the most part quotations for the various Government bonds were down less than half a point during December. The longest bonds showed the least decline. Lack of offerings and occasional buying orders from investment funds kept the market pretty stable.

In spite of credit stringency prices on December 30 were above the lows recorded early in August. For example:

			Bid 12/30		Low
21/2% B	onds	12/15/58	99	-	9826/32
21/4%	66	6/15/62/52	9618/2	-	9520/32
23/4%	44	9/15/61	9910/32	***	9828/32

#### 2½% Bonds 9/15/72/67 942% - 9326% 3½% 6 6/15/83/78 105% - 104 3% 4 2/15/95 100% - 981%

A moderate amount of year-end transactions for tax purposes accounted for a good part of the rather small volume of trading. Apparently many of these exchanges resulted in a moderate lengthening of maturity.

#### Market May Stabilize

Giving full weight to the lack of any clear indications either of serious inflationary forces or a let-down in business volume of a deflationary nature it does look as though there might be a period of price stabilization for Government securities.

The Reserve authorities are more than fully aware of their onerous and difficult duty to smooth out temporary distortions in the credit supply and this despite the political implications of 1956. They want what we all do: A period when the tremendous economic gains can be consolidated on a sound basis. They will act to prevent distortions up or down.

#### THE INVESTMENT MARKETS

The investment markets entered 1956 under auspicious circumstances. Higher dividends on stocks and higher yields on fixed-interest securities continue to attract investors.

Ford Motor Co. stock, in making its appearance on the New York Stock Exchange, will, together with other listing applications, bring the number of shares listed on the Big Board beyond the 4-billion mark.

Since 1900 the number of listed shares has risen more than 70-fold from 56,090,180. The 100,000,000 mark was reached in 1908, and, by 1920, 200,000,000 shares were listed. The first billion of shares was achieved in 1929, but it took nearly two decades before the 2-billion figure was reached in 1948.

Around Independence Day 1954, the 3-billion figure of listed shares made its appearance, and the fourth billion will be reached in the first quarter. General Motors tops all listed companies, with a total of 279,-934,250 common shares for sale on the exchange.

Stock splits were a prominent feature in the equity markets. The number of stock splits, 2 for 1 or better, last year totaled 73. It was more than double the 1954 aggregate of 34 and just short of the record 1946 figure of 74.

The share volume on the New York Stock Exchange in 1955 was the highest since 1933. It meant good

#### H. EUGENE DICKHUTH

brokerage income and it was thoroughly in line with other booming segments of the economy. Stock volume was 649,602,291 shares, compared with 573,374,622 shares in 1954 and 1,124,990,980 shares in 1929.

The stock volume on the American Stock Exchange was the highest since 1929, at 229,350,000 shares.

In the new issue markets, offerings were well received. New bond issues set a new high in 1955, with a total of more than \$11,700,000,000, which compares with \$11,660,884,000 in 1954. Slightly more flotations were involved last year than in the preceding one.

Highway and housing obligations constituted the bulk of state and municipal tax-exempt financing. The total in this group dominated the bond market last year with a volume of more than \$6.2-billion.

Stock offerings were a little better than \$750,000,000 for the year, compared with \$729,888,000 in 1954. It was the highest volume since 1952, when \$937,159,000 of new equity issues reached the market. Offerings of public utility stocks were leaders in the equity underwriting markets for the third consecutive year.

The outlook is for continued stability in the markets, barring unforeseen events. Wise money management at the Federal level, plus good prospects for a balanced budget, not to mention excellent income prospects for industry, individuals, business, and finance, inspire current optimism.

## Mechanization of Check Handling

JOHN A. KLEY

MR. KLEY is vice-president of The County Trust Company, White Plains, N. Y., member of the A.B.A. Bank Management Commission, and chairman of its Technical Subcommittee on Mechanization of Check Handling.

THIS represents the first general report to be made by the Technical Subcommittee to the Committee on Mechanization of Check Handling of the American Bankers Association. The Committee has been active for two years in attempting to represent the banking industry in a presentation of the problem of check processing and its mechanical handling to the manufacturers of office machinery.

#### Background

Such an undertaking was initiated as a result of the continual increases in the number of checks being issued annually, increasing personnel problems and related costs, and the excessive manual handling required to clear a check. A study of the check collection system in 1954 by the Joint Committee on the Check Collection System of the American Bankers Association, The Association of Reserve City Bankers and The Federal Reserve System revealed that on an average day in 1952 about 29,000,000 checks were written, and approximately the same number were deposited in, or cashed at banks. They also found that the number of checking accounts in this country increased from 27,000,000 to 47,000,000 between 1939 and 1952. In the same period the number of checks written annually grew from an estimated 3.5-billion to nearly 8billion a year. Should the trend of this period continue, 14-billion checks would be written in 1960. and by 1970 check volume would be 22-billion.

We as individual bankers are not

only concerned with the speed, efficiency and accuracy with which these checks can be cleared between our banks, but are also concerned with the internal problems of bookkeeping costs and accuracy and our own customer relations.

#### **Basic Objectives**

Recognizing these problems as individual bankers and members of such a committee, basic objectives were established:

- 1. To interpret the stated problem and others subsequently recognized in terms of automation.
- 2. To study the latest technological developments in the field of electronics pertaining to the problem.
- 3. To represent the banking industry as a whole in presenting the problem objectively to machine manufacturers.
- 4. To prepare and submit coordinated specifications to machine manufacturers.
- 5. To consider the interests of small sized banks in any deliberations.
- 6. To continually pursue the analysis of existing problems until the presentation of a workable solution.
- 7. To coordinate the activities of this committee with those activities in common with the Committee on Electronics of the A.B.A. Savings and Mortgage Division and the Joint Committee on Check Collection.

#### **Presenting the Problem**

In following a program that would pursue these desired objectives, a presentation was prepared during 1954 and submitted to all known interested manufacturers. This presentation entitled, "Automation of Bank Operating Procedure," was also sent to all banks with deposits of \$50,000,000 or more. In the brochure the problem was presented in such a way that all of the manufac-

turers were given the opportunity to express their reaction to such a program as well as the degree of interest that they would have in participating in a solution of the problem. The reaction to this presentation was most gratifying. The line of reasoning adopted by the committee was wholeheartedly supported in the many replies received from manufacturers.

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While the committee does not presume to believe that their report as presented represents the sole criteria to be followed, none the less many manufacturers indicated that the report did confirm their individual thinking on the problem and that it has been most helpful and encouraging in their work while pursuing the problem.

#### Seven Clerical FacilHies

Now, just to review the problem basically and from a nontechnical viewpoint, the thing that we are all striving for as individual bankers and as the industry as a whole, is the ability to substitute a mechanical method for existing bank operating processes performed manually or semi-manually. When we break down elementary clerical facilities we find only the following:

- 1. The movement of substance.
- 2. The reading of data.
- 3. The recognition of information.
- 4. The ability to compare.
- 5. The facility to select.
- 6. The capacity to adjust.
- 7. The means to record.

As outlined in our presentation to the manufacturers, what we are seeking really are replacements for the hands, eyes, and the more automatic phases of mental activity. We are looking for a method that will relieve monotonous clerical detail, provide greater accuracy in operation, produce greater individual productivity, and perform all of this with either lower cost or no greater

cost than is presently being incurred.

#### Standardization Comes First

One of the very first problems in which we must become involved is the area of standardization. Standardization as we have known it up to now revolves about the problem of a standardized width and length of check, a standardized weight of paper, and arrangement of information on the face of the check. However, there are several concepts in connection with standardization which now enter the picture that were not present before. Taking into consideration that it would be an insurmountable problem to require the use of a single uniform sized check universally, the committee recognized that standardization as such would have to pursue a different line. It is conceivable that if we were to wait to have all checks in the country made to fit a single mould as to size requirement alone, automation as such would never occur.

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Standardization, however, can be treated in several other ways. For instance, a slave or carrier attachment can be affixed to every check so that any mechanical handling or reading of the check would be, in effect, handling similar sized pieces of paper. There are existing two processes that we know of that are doing just that, and as to movement of substance and the ability to read alone, have proven to be quite successful in the laboratory. However, it has always been felt by the committee that in order to take full advantage of all the possibilities of mechanical check handling the check should act as its own carrier of basic information recorded in a way to be read through a machine language.

#### Common Machine Language

We have approached the problem with the idea that the only real way of solving the standardization requirement idealistically is by the use of a common machine language. Such a language can be placed in a uniform manner within a fixed designated area on all sized checks. If you can visualize such encoded information always being a certain distance from two edges of any check, it then becomes clearer to understand why variations in length and width of checks are no longer a problem.

The subject of machine language, we feel, is the most important one in any consideration of automation. While an explanation of machine language is unnecessary for engineers, some other readers could be confused about it. Superficial consideration would lead to the conclusion that we read with our eyes. This is not quite correct. Our eyes simply distinguish the shape of the dark areas on a sheet of paper. These eye readings are matched with recognition patterns that we have stored in our memories. The conversion from pattern sensing to intelligent recognition is so fast that we are not aware of it. To emphasize this explanation we need only back-track to many years ago when each of us was learning to read. In comparison with even immature mental capacity, the versatility of machines is almost nonexistent. All of the elements of personal reading are present in machine reading; observance of differences, matching with recognition patterns, logical approval of results with discriminatory acceptance or rejection of border line situations, and conversion to the correspondingly required action.

#### **Accuracy Imperative**

Banks are not interested in approximations. Dollar controls and posting accuracy must be exact. Accordingly, automatic readings must be accurate. There can be no compromise with this that is not readily offset by methods that facilitate precise, inexpensive, and certain detection and location of errors. It must detect an illogical reading and reject for manual processing. However, the percentage of such rejections is subject to consideration inasmuch as an extraordinarily high percentage of rejections might render the entire proposal economically impractical.

"Prequalification" is a term which will become more important in the banking vocabulary in the future. It refers to the encoding of certain information on checks in a form that qualifies it for automatic machine processing. There is a minimum of three required items of information that should be in acceptable form for automatic processing: drawee bank, drawer, and amount. The drawee bank's identification may be placed on checks when they are either printed or issued. The draw-

er's identification, including a check serial number if necessary, may be placed on checks at the same time. Considerable savings can be accomplished if the entry of amounts is qualified at the earliest practical manual processing step in the first handling bank.

#### A Single Language

It becomes increasingly obvious that in order to derive the maximum benefits in a mechanical check processing system, that one common machine language be adopted regardless of the competitive factors involved in just how the checks will be handled from a physical and accounting standpoint later on in the bank operating processes.

One of the principal functions of this Committee is to attempt to study all of the possible machine languages available and make a single recommendation as to a single language which it thinks is the one that should be adopted.

It is along these lines that the greatest amount of study has been made, and as soon as the findings of the Committee to date can be coordinated with the printing industry, a recommendation will be announced.

#### Report of Progress

There have been some very dramatic announcements in the past year about certain accomplishments in the field of check automation. Certainly no one can be criticized for making such an announcement, but any development at this stage must necessarily be looked upon with critical analysis. At this point we have reached what might be termed the "Era of Crystalized Concept." This simply means that a lot of people have had a lot of ideas, and a great amount of money, energy, and ingenuity has been put into the problem, but these ideas do not necessarily represent final workable ideas or concepts which are being solidified. It is estimated that in the projects already reviewed by the Committee, investments in excess of \$12,000,000 have already been made. It would be foolhardy for the Committee, with its knowledge primarily in the field of bank operations, to blindly criticize any of the results it has seen. Likewise. however, such announcements should not lull bankers into complacent reasoning or mass hysteria. There

is a great deal of difference between the processing of controllable material in a laboratory atmosphere for a relatively fixed period of time, and the practical application of such a device in day to day bank operations. Presuming that the mechanical and automatic functions could withstand the rigors of such a test, economic feasibility must also be considered before any real conclusions are drawn.

A report of specific progress by manufacturers will not be included here. From a practical standpoint the Committee is necessarily under cath not to reveal certain types of information because of the problem of patent rights. However, it is fair to say that it has seen checks being read mechanically using several methods of reading; that such reading has had varying degrees of reliability, and even more varying degrees of rejection. It has seen pieces of paper of varying sizes, thicknesses, and weights moved at high rates of speed. In one instance the checks were moved with such speed that it was impractical to do anything else with them. The sensing base used for the language in these cases has been either fluorescent ink, magnetic ink, or ordinary ink. Reading with the use of a carrier system has been accomplished in two instances.

#### "Input" Problem

The computer hardware segment of the various systems either developed or in the process of being developed, has been reviewed with a great deal of interest. This phase of the operation, however, has received less attention at this point. While not trying to minimize the question of random access, cost of information storage, and other problems relative to automatic arithmetic computation, the real solution in solving the check automation problem is that of acquiring the ability to handle and move various sized pieces of paper and be able to read them accurately. Once prequalified data as to bank, account designation, and amount can be handled mechanically, the rest will be less complicated. What we are talking about then is really what people in the automatic computer field call the "input" problem. Getting information into a machine is really our big problem, and to have this source information in a uniform sameness, is

where the Committee can best contribute to the overall problem. The possibility of a bank in Portland, Oregon, reading checks mechanically on one manufacturer's equipment, and having that same check read by a bank in Miami, Florida, with another manufacturer's equipment, is really the objective we are striving to reach.

What the individual banks feel they can do after this point in their cwn organizations, from a competitive accounting machine standpoint, should continue to be the same problem as it is today. Obviously, machine manufacturers have and are manufacturing equipment to perform exactly the same processes in each of our banks today. However, certain features of each type of equipment renders it more attractive to one bank than to another. This competitive enterprise must continue, we feel, under any automatic system. However, the sole restriction as to uniformity must be the language field.

#### **Evaluation**

The Committee on several occasions during its visits with machine manufacturers, has been asked to submit its evaluation of the overall system demonstrated. This the Committee has been most hesitant in doing. It feels that it does not want to make a public evaluation of certain technical principles involved,

#### The Subcommittee

Members of the Technical Subcommittee of Check Handling, in addition to Mr. Kley, are: Herbert R. Corey, vicepresident, The First National Bank of Boston; L. A. Erickson, vice-president, The First National City Bank of New York: David H. Hinkel, assistant secretary, The First National Bank of Chicago; Raymond C. Kolb, assistant cashier, Mellon National Bank and Trust Company, Pittsburgh; A. R. Zipf, assistant vice-president, Bank of America, San Francisco: Melvin C. Miller, deputy manager, A.B.A., secretary.

except for the language aspect, principally because such evaluation would be premature. Naturally conclusions have been drawn individually and collectively, but to submit an evaluation of a proposed operation without the opportunity to analyze economic feasibility, would be a mistake.

Machine language, however, falls in a very different category. On this point the Committee will submit, in the very near future, its specific recommendation for such a language and the reasons for its selection.

#### A Major, Related Consideration

One very real consideration which has been overlooked in some quarters, but one that necessarily must be given some thought, is check imprinting. Regardless of what type of sensing base or type of language selected, it is becoming increasingly obvious that all checks in the future will contain personalized imprinting. The reason for this conclusion is that it will be necessary to identify checks not only as to language, but with individuals to prevent their exchange before negotiation. The cost of such imprinting, therefore, now becomes a major factor in considering any automatic process. This factor is receiving deliberation by the Committee in its attempt to arrive at certain conclusions as to kind and desirability of language.

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#### Summary

The purpose of this report is to bring up to date many of the banks that have either begun to consider mechanical processing for the first time, or those which have not had the opportunity of discussing future possibilities with the manufacturers themselves.

Perhaps it is disappointing to some that specific advances are not being discussed, but it is hoped that the explanation contained herein will satisfy this disappointment.

Definite progress is being made, and while a time table cannot be specifically pin pointed, it is quite safe to say that mechanical check processing will be a reality in the near future. The extent to which such mechanical processing will be in existance will, in large part, be based upon the willingness of all manufacturers and banks to adopt a single recommended common language.



Bankers who had an active part in the Arizona National Livestock Show's opening day ceremonies. From left to right, Mr. Alberts; Mr. Stewart; Everett Brown, First National Bank of Arizona, Yuma; Stuart F. Krentz, assistant vice-president, First National Bank of Arizona, Phoenix; Marshall C. Christy, assistant vice-president, Farmers & Stockmens Bank, Phoenix; and T. Scott Bentley, vice-president, Valley National Bank, Phoenix

## Recipe for a Successful Livestock Show

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MRS. MAY, as assistant cashier of the Valley National Bank, Phoenix, Ariz., director of the bank's Special Services Department, and member of the advisory board, Arizona National Livestock Show, has had a leading role in the organization of the Arizona National Livestock

Show and in its promotion.

Take one part progressive cattle breeders, one dedicated corporation lawyer, one money-raising automobile dealer, one top broker in ranch properties—mix well with a solid backing of bankers and you have one of the fastest growing, top livestock shows in the country—the Arizona National Livestock Show.

Back in 1948, the Arizona Hereford Breeders' Association decided to move its annual cattle show and sale to Phoenix after 15 years in Tucson. So much interest was generated by this move that a group of Phoenix people was called together in June of 1948 to discuss the possibilities of forming a "Phoenix Cattle Show Association to sponsor a first class cattle show."

Bankers Among Those Called

As usual, in any community activity in Arizona, bankers were among those called in to set up such an organization. Honorary Chairman W. R. Wayland, Frank Armer, and the writer, of the Valley National Bank; Valley National Directors E. Ray Cowden, M. O. Best, and John M. Jacobs; President Hugh C. Gruwell, Vice-president George V. Christie, and Assistant Vice-president Don Stewart of the First National Bank, were among the 50 local citizens who met to organize. Agreed on the desirability of such a show, the first board was elected and of the 25 directors, eight were bankers. Frank Armer of Valley National Bank was elected secretary and all stock show business was handled through his office for the first several years.

#### Stock Show Annual Affair

The Phoenix Stock Show, held in December 1948, was such a tremendous success that all hands agreed it should become an annual affair. Forty-two exhibitors representing seven states showed a total of 449 head of cattle, and, to quote the Western Livestock Journal, "Arizona doesn't have to take a back seat at any of the major stock shows nowadays!" To fit in the circuit, however, the date was changed to January 4-6, 1950. Frank C. Brophy, chairman of the Bank of Douglas, joined the board and Lyle L. Young, First National vice-president, became a committee chairman.

Banker Teamwork Helped to Found the Arizona Na-

tional Livestock Show and Has Been an Important Factor in Building the Show to an Honored Place

> Flushed with the success of the 1951 show (77 exhibitors entered 635 head of cattle), it was decided to go statewide. In June of 1951 the articles of incorporation were changed and the Arizona National Livestock Show came into being in time for the 1952 show. Louis W. Douglas, chairman of the Southern Arizona Bank in Tucson and Spencer S. Shattuck, president of Miners & Merchants in Bisbee, were elected to the newly formed advisory board, and William Alberts, vice-president of the Bank of Douglas, and Leslie A. Wood, vice-president of Valley National, were elected directors.

#### Western Hospitality

Early in the planning of the first

Phoenix Stock Show, it was agreed that every effort would be made to make it a genuine example of western hospitality and friendliness. Since it was held during the winter season when hotel space was at a premium, the custom of providing room reservations was established. Through the eight years of the show, the Special Service Department of the Valley National has handled this assignment. An offer to make reservations is included in the premium list, and as each exhibitor's entry is received, a letter of welcome is sent, again offering to secure room reservations. Some 50 to 75 reservations in motels and hotels are made each year. To our best knowledge this service is unique with the Arizona National.

To give an added fillip of excitement to Stock Show Week, a series of entertainments are planned, including the various breed association dinners. In 1948 the first Valley National cocktail party was given and each year this has been a high spot of Show Week. Invitations are limited to exhibitors, judges, sponsors, and members of the association, and to cattlemen throughout the state. Held each year on Wednesday afternoon in the bank's lunchroom, the guest list has grown from 125 to nearly 1,000 in 1956.

The First National Bank of Arizona had entertained in a variety of ways until, in 1953, it began its traditional Friday morning breakfast at the show grounds. This year it was held on the ninth floor of the bank's beautiful new office building.

Thursday night is always the Stock Show party, held usually at



Valley National's Honorary Chairman Wayland, left, presents trophy to Les Mathers of Leveldale Farms, Mason City, Ill., for his Grand Champion Shorthorn steer

Bud Brown's Barn, where the chuck wagon barbecue and square dancing are enjoyed by all. Under the entertainment committee's responsibility, bank girls hand out badges and serve as hostesses. A large, very visible name badge is always provided for each guest at the party.

#### The Junior Division

When the Farmers and Stockmen's Bank was organized, its officers and directors joined the sponsorship of the show and took places on the board. The late Louis Everett of Farmers & Stockmen's Bank was a strong supporter of the junior division and started the custom of sponsoring the Junior Banquet. His successor, President Rex E. Staley, has continued this custom.

The junior division has been an

important part of this Stock Show from the very beginning. Each year more entries have been received-in 1956 a total of 180. The highlight of the junior division is the calf scrambles. For the "city slicker," or the uninitiated, 10 boys with halters on a six-foot rope are put into an enclosure with six calves. The halter or rope must be placed on the animal's head and cannot be used as a lariat. Each boy tries to catch a calf, halter it, and lead his catch from the ring unassisted. It is a wild scramble and takes a lot of stamina and enthusiasm on the part of the boys—the calves have plenty of both. Once caught, the boys buy the calves at half price. Each boy must keep a cost record, submit it to the superintendent of the junior division, and exhibit and sell the calf at the next year's show. The Farmers & Stockmen's Bank finance these calves for one year without interest.

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To assure a profit on their investment of time and money, prices of no less than five cents per pound above market are guaranteed to the juniors. The Arizona banks support the sale of these fattened calves.

#### **Teamwork Succeeds**

The youngest show ever to achieve the coveted Register of Merit from the American Hereford Association, the Arizona National Livestock Show won this honor for the second year in 1956. With the exception of the Denver show, this year more champions were entered than in any of

(CONTINUED ON PAGE 131)

This First National Bank of Arizona window display promotes the Arizona National Livestock Show



# NEWS for Country Bankers

This department is edited by MARY B. LEACH of BANKING'S staff.

#### **New Key Banker Manual**

THE Agriculture and Forestry Committee of the Oregon Bankers Association recently issued a "Manual for County Key Bankers." In outlining the responsibilities and opportunities of the key banker in building a better agriculture, the manual mentions these five functions of the key banker:

(1) The representative of the Agriculture and Forestry Committee of OBA within the county.

(2) A liaison between the Agriculture and Forestry Committee and the other banks and agricultural interests within the county; also, the connecting link between the county and the A.B.A.

(3) A source of information to other members of the banking fraternity on agricultural problems, needs, and opportunities.

(4) A booster for all phases of agriculture within the county on programs for improvement.

(5) The "spark-plug" in activating the interest and support of all

banks in programs for agricultural improvement.

In addition to mentioning suggested duties and responsibilities of the county key banker, the manual enumerates the Federal and state agricultural agencies ready to cooperate with key bankers, with the names and addresses of the state representatives. It also includes a list of the agricultural organizations in Oregon, such as the Oregon Cattlemen Association; outlines the present program of the Agriculture and Forestry Committee; and suggests other activities in which country key bankers might engage in connection with the OBA program.

#### 5th A.B.A. Agricultural Credit Meeting Dec. 10, 11

THE Fifth National Agricultural Credit Conference of the American Bankers Association will be held in the Hotel Statler, St. Louis, December 10 and 11, 1956, it was announced recently by Jesse W. Tapp, chairman of the A.B.A.'s Agricultural Commission, which sponsors the meeting. Mr. Tapp is chair-

"Aq" Conference Proceedings

Proceedings of the fourth A.B.A. National Agricultural Credit Conference in Chicago is being mailed by the Agricultural Commission to the conference registration list; colleges of agriculture libraries; members of the A.B.A. Agricultural Commission and Subcommittee on Agricultural Credit of the Federal Legislation Committee; and state secretaries. It will be sent to others upon request to the Commission.

man of the board, Bank of America N.T. & S.A., Los Angeles.

The conference annually attracts bankers from all parts of the United States—particularly the rural areas—whose special field of interest is bank service to farm customers. During the two days, they will have an opportunity to exchange ideas on farm lending policies and procedures and hear addresses on agricultural subjects by leading bankers, educators, and Government officials in the farm field

#### Missouri's Cost Study

THE Bank Management Commission of the Missouri Bankers Association has completed a survey of costs of 21 Missouri banks, all but three of which have total assets of less than \$10,000,000. The results are of particular significance for comparative purposes because the same method was used in "costing" each bank.

The formula used in making the analysis is included in a booklet, Simplified Cost Analysis for Smaller Nondepartmentalized Banks, prepared by the Country Bank Operations Commission of the American Bankers Association. This booklet, which is obtainable from the A.B.A.,

(CONTINUED ON PAGE 68)

An abundance of goodwill has been chalked up by the Charleston (Ill.) National Bank in connection with its sponsorship of an all-expense trip to the International Live Stock Show in Chicago for eight 4-H Club and FFA boys. Shown with the 1955 winners are, left to right, seated, Assistant Farm Adviser Charles Engelhardt; Charleston National President Charles Reynolds; and Vo-Ag Teacher Joseph Berger. Messrs. Engelhardt and Berger accompanied the boys to the



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Recordak offers a complete line of microfilmers designed for all requirements, all budgets. The new Recordak Reliant, shown above, photographs checks at a 400-per-minute clip; has a sensational automatic feeder that all but ends possibility of "missed pictures." It also photographs documents at 40-to-1 reduction—highest today in 16mm microfilmers.

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The new Recordak Reliant straightens out documents which are fed crookedly . . . or are creased or folded over, lets you record papers which are slightly oversize without wear and tear.

#### Judge the experience at your command

Since 1928 Recordak has been specializing in microfilming only . . . showing thousands of banks of every size how they can best correlate microfilming with existing routines. Your local Recordak Systems Man is always at your call . . . ready to advise you or instruct your staff . . . ready to serve, really, as a nonsalaried employee in the years ahead.

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How are your films processed—and how fast? Recordak processes your films to National Bureau of Standards' specifications for archival films—assurance that your films will remain picture-perfect year after year. And it does the job the very same day your films are received, using high-speed professional equipment, staffed by specialists, in all 34 Recordak Film Processing Laboratories.



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new Recordak Reliant in detail.

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Banking and agricultural educational leaders were seated at the head banquet table during the Texas Farm and Ranch Credit School for Commercial Bankers. Left to right, H. D. Allen, assistant vice-president, Temple National Bank; Joe A. Clarke, vice-president, Ft. Worth National Bank; J. Z. Rowe, agricultural economist, Federal Reserve Bank of Dallas; C. Truett Smith, president, First State Bank, and chairman TBA's Agricultural Committee, Wylie; J. W. Barger, professor of agricultural economics, A. & M. College; Dr. Waltrous H. Irons, president, Federal Reserve Bank of Dallas; Dr. J. E. Adams, dean, School of Agriculture, A. & M. College; Charles N. Shepardson, member, Board of Governors, Federal Reserve System, Washington, D. C.; Edgar T. Savidge, A.B.A. deputy manager in charge of the Agricultural Commission, New York City; Joe Biry, agricultural officer, First Capitol State Bank, West Columbia; Dr. Robert L. Hunt, professor of agricultural economics, A. & M. College; and Earl C. Erhard, president, First National Bank, Bastrop (See story p. 145)

gives step-by-step instructions, il the number of items handled tolustrated forms, and blank work sheets to enable bankers to analyze their own banks.

The results of the Missouri costs study has been published in booklet form and copies sent to MBA members. The plan provides for the use of time factors (in minutes) representative of the normal time required to handle each type of item or transaction to serve as a vardstick in measuring costs. Participating banks furnished records of the time spent on the job by active officers and employees, and counts of

gether with the usual bank records.

The Missouri study contains selected high, median, and low figures for the participating banks. Space is provided in the schedules so that each bank may insert comparable figures for its bank for comparative

"It is obvious to all of us that many rapid changes are taking place in the banking business and that we are now and have been for some time in a period of increasing costs," said the Missouri association in a letter to members accompanying copies of the study. "Costs are certainly fundamental in practically all bank management decisions and it is desirable that such decisions should be based on a thorough knowledge of the costs of the individual bank, as well as banking in general."

The results of the cost study will be used for discussion at MBA's Bank Management Conference in Columbia on February 7-9.

#### Bank Offers Farmer Award

N annual professional agricultural A achievement award has been announced by George M. Bazemore, president, First National Bank of Waycross, Ga., and county key banker of the GBA.

In announcing the award—a handsome silver bowl-Mr. Bazemore stated:

"The First National Bank in Waycross, in line with its policy of giving recognition to agricultural achievement, inaugurates a professional agricultural achievement award to be presented annually to the technical worker of Ware County rendering the most outstanding service to agriculture in Ware County.

"Purpose of the award is to encourage enlarged fields of service among agricultural agents, soil conservationists, supervisors of Farmers Home Administration, vocational agricultural instructors, foresters, and other professional farm workers.

(CONTINUED ON PAGE 158)

Authorities in forestry conservation and management spoke at the Bankers Field Day in Tallahassee, sponsored by the Florida Bankers Association. Some of the forestry and banking leaders attending this event, left to right: C. H. Coulter, forester, Florida Board of Forestry, Tallahassee; J. E. Williams, chairman FBA's Committee and president, Florida National Bank, Fernandina Beach; C. B. McLeod, president, Bank of Crestview; Dr. C. M. Kaufman (consultant to committee), director of School of Forestry, University of Florida, Gainesville; T. A. Lanford, vice-president, Federal Reserve Bank, Jacksonville Branch



Feb

# FAMILY DOLLAR NEWS

## PLAN OF A.C.T.I.O.N.



City fathers take a sober look at slums from the standpoint of budget. Here's a scene from "Man of ACTION," cartoon film produced by Transfilm for ACTION, the American Council to Improve Our Neighborhoods

## 10 Common Check-Writing Errors

- Signing a check in blank. It can be filled in and cashed if lost.
- Drawing a check "to bearer" or "to cash," and failing to cash it immediately.
- Signing checks in a signature different from that originally furnished the bank.
- 4. Failing to use pen and ink when you write a check.
- 5. Crossing out or changing any written part of check.
- 6. Failing to fill out checkbook stub when you write a check.
- 7. Failing to endorse properly the reverse side of any check you cash.

- 8. Post-dating a check.
- 9. Misspelling payee's name.
- Failing to make words and figures in the amount of a check agree.

The mental cases most difficult to cure are the persons who are crazy about themselves.

\*

A saver grows rich by seeming poor. A spender grows poor by seeming rich.

NATIONAL LEADERS and groups are marshaling their forces in support of ACTION (American Council To Improve Our Neighborhoods), a nonprofit, nonpolitical organization whose purpose is to replace apathy and neglect with action. A new 13½-minute color cartoon film called "Man of ACTION" is available on free loan in 16 mm. to adult community groups, industry and TV stations through Association Films' regional libraries. For information write ACTION, Box 500, Radio City Station, New York 20, N. Y.

Out of this, one of America's greatest campaigns for better living began on January 16, with the launching of OPERATION HOME IMPROVEMENT in Washington. The campaign, running through 1956, is designed to interest more people in improving their homes and to make it easier for them to buy the necessary products and services.

It has the backing of the U. S. Chamber of Commerce, many manufacturers of home construction materials and appliances, dealers, retailers and others.

Banks will finance a large part of the \$12-billion that people will spend for improvements this year. In this year-long Operation Home Improvement bankers throughout the country recognize a special opportunity to serve American families. They point out that one of their most important responsibilities is to give constructive advice to the borrower, so that he will not assume a credit burden that is too heavy in relation to his financial abilities. The wise use of credit is essential to financial well-being.

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## ----How to FIND and FIX an Income Leak

## "I've No Income. I'm a Wife"

NEARLY one-half of the 45,000 professional people polled by Columbia University Teachers College, said they hadn't had a will drawn up "as yet."

Pharmacists topped the list of professional people who showed the least interest in making wills, and journalists ran a close second. Nearly two-thirds of the journalists were without wills. Teachers were less negligent, but nearly half of those answering said they hadn't got around to making a will. One-fourth of the lawyers (at least among Columbia graduates) are not practicing what they are supposed to preach.

"Sex, marital status, and number of dependents seemed to have little relation to whether a person had a will," Columbia reports. "Older married people were about as careless as young, single ones. Alumni with larger incomes were more likely to have wills."

And why don't these thousands of people have a will? Well, the most frequent answer was "I don't need one," with "My family knows what to do if anything happens to me" in second place. Another common one was "no income. I'm a wife." The fact is that if a wife neglects to have a will she is overlooking her basic rights in her husband's estate.

"Before I read this will, is there anyone present with a weak heart who hasn't made his own will?"



Call the Family in . . . says

Elsie Stapleton, Jr.

ON THE PHONE Mr. Woods was saying "We need some advice. Ve're running in the red regularly. I gress it's those two horses we keep."

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So I suggested we set up a family conference for the following Sunday.

When I arrived at their home the Woods children's faces seemed to say . . . bere comes the lady who's going to say we have to sell Tom and Jerry. Dad set up a table in the living room and we all gathered around . . . Dad, Mother, Danny 16, George 14, and Lucy 8. We started out with a large piece of paper—listing income and expenses.

First came the house, the carrying charges for which ran about \$84 a month. O.K. House operation was in line, too. Mother handled the housework aided by the children. The boys took care of the gardening and the horses. Weekly food bill was about \$30.00. We checked other categories . . . clothes, savings, medical bills, education. Everything was in the right ratio for income, yet they were running in the red—about \$500 a year! Where was the trouble?

We came to the tender subject—the horses. Danny produced an itemized list of their expense—feed, care, etc. He then announced that he had four pupils who wanted riding lessons. He had hopes of making at least \$150 during the summer months.

We allowed for this possibility, and went on to the next item—the cars.

"We have two elderly jalopies," Dad said. "They're falling apart."

The cost of repairs alone in the last year had come to almost \$500. The old cars were the leak!

The Woods were suffering from an acute guilt feeling about money! They thought the horses a great extravagance. It took just one Sunday afternoon and a family conference to cure this guilt and to put them in the black.

#### Columbia Dean Sees Medical Security Coming

YOU HAVE IT on the authority of Dr. Willard C. Rappleye, dean of the Columbia University Faculty of Medicine, that "medical security in some form is coming to America, just as social security has been established."

In his annual report Dr. Rappleye noted that more than 103,000,000 Americans had voluntary medical insurance in one form or another, and he predicted that "ultimately there will be regulations of benefits and premiums." The people are "determined" that all shall share in the benefits of scientific knowledge.

The present ratio of physicians to people is 1 to about 750, he said. This is approximately sufficient in total "if all the doctors were adequately trained, better distributed, and more effectively utilized in relation to actual needs."

But total numbers are "only a part of the picture," Dr. Rappleye added. "The quality and competence of doctors is a far more important aspect of proper medical care than mere numbers."

Urging continuous financial support of medical education by industry, he said that 1/40th of 1 percent of its annual net profits "would underwrite the present deficits of the medical schools of the country." The schools, he asserted, should meet their financial problems in "the American way"—through voluntary contributions.

## Millions Climb the Income Ladder

LA T YEAR 32% of all American far ilies had incomes ranging between \$5,000 and \$10,000. And this year the number will be even larger. This trend toward a better life for more people has been consistent for a long period. In 1950, for example, with a total of 53,000,000 families, only 5.8% had disposable incomes (after Federal taxes) of \$4,000-\$5,000, and only 3.8% of the families had net incomes of \$7,500.

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Husbands are earning more, of course, but there is also an increasing trend in the number of wives who hold paying jobs—30% of them, as a matter of fact, in 1955. And what's more, many of these women have children too. In cities and towns women averaged two children in 1955; farm wives averaged three children. Altogether there were 4,000,000 babies born here last year.

In line with their increasing business earnings and activities women are taking on more responsibilities in handling family finances. Bankers all over the country are finding that in the case of joint husband-and-wife checking accounts, the wives often lead in the use of these accounts. Couples, rather than the husband alone, are likely to come to the bank to discuss their money problems, to apply for loans, and to open accounts. Often it's the wife who has the more intimate knowledge of the family's finances.

1950 53 Million	(1954) (55 Million)	TOTAL CONSUMER SPENDING UNITS	1956 (ESTIMATED) 56 Million
	DI	SPOSABLE INCOME (AFTER FEDERAL TAXES)	
2.1	(3.8)	OVER \$7.500	5.1
4.3	(8.8)	\$ 5.000 to \$ 7.500	9.5
5.8	(8.8)	\$4,000 to \$5,000	11:2
9.5	(110)	\$3,000 to \$4,000	10.6
12.2	(8.8)	\$2,000 to \$ 3,000	7.8
11.1	(8.3)	\$ 1,000 to \$ 2,000	7.3
8.0	(5.5)	UNDER (1.000	4.5

SOURCE: Federal Reserve Board Survey of Consumer Finances; from a recent issue of Federal Reserve Bulletin.

## The Art of Traveling Begins at Home

WE ALL KNOW that time and money are needed when we go places. But many of us forget that fore-thought and planning before leaving home can add much to our travel pleasure. And if children are to be taken along, a rainy afternoon at home can be put to good use discussing the routes to be followed and the places of interest you'd like to visit.

And for your own peace of mind while away from home here are a few strings to tie around your finger.

The house: Check locks on doors and windows; electrical connections;

faucets. Arrange for care of garden and lawn; feeding of pets.

Business details: Buy travelers checks and put valuables in safe deposit box at your bank; notify the police of your intended absence; leave some address with a neighbor so that you can be reached in case of emergency; have your car serviced.

Lastly, make sure that you notify your local delivery services, such as your mailman, milkman, and newsboy. Nothing proclaims your absence from home as loudly as six bottles of milk and yesterday's paper on the doorstep!

#### SAVINGS SOOO SOO

"The way you count every penny I'm sure glad I'm not your wife"

#### CURRY ON THE SIDE

Teacher: Why was Solomon the wisest man in the world?

Pupil: Because he had so many wives to advise him.

\*

It would be wonderful if we were as rich as the foreigners think we are. A person who speaks well of everyone must have poor judgment.

Husband: Your check to the grocer has just come back marked "No Funds."

Wife: That's funny. I saw an ad in the paper only yesterday that the bank has a surplus of over \$3,000,000.

## Use Your Wastebasket Wisely . . .

### Some 1955 Mergers

Company	Merged into		
Textron, Inc. American Woolen Co. Robbins Mills, Inc.	Textron American, Inc.		
Affiliated Gas Equipment, Inc	Carrier Corp.		
Warner-Hudnut, Inc. Lambert Co.	Warner-Lambert Pharmaceutical		
Sunray Oil Corp.  Mid-Continent Petroleum Corp.	Sunray Mid-Continent Oil Co.		
Weston Elect'l Instr. Corp	Daystrom, Inc.		
Detroit-Michigan Stove Co	Welbilt Corp.		
Sperry Corp. Remington Rand, Inc.	Sperry Rand Corp.		
Blockson Chemical Co			
Stromberg-Carlson Co	General Dynamics		
	Federal-Mogul-Bower Bearings		
Whirlpool Corp.  Seeger Refrigerator Co.	····· Whirlpool-Seeger		
Lion Oil Co	Monsanto Chemical		
Scranton Electric Co	Penn. Power & Light		
Gaylord Container Corp	Crown Zellerbach		
Gleaner Harvester Corp	Allis-Chalmers Mrg.		

From The Exchange magazine (published by the N. Y. Stock Exchange).

#### This Is What It Says

Random excerpt from official income tax instructions:

"In general, amounts received from annuities and pensions are included in income to the extent they exceed the exclusion described below. You may exclude from your income an amount found by using the following formula:

Investment in contract Expected return x Pay't Re'd

"This formula means that you divide the investment in the contract by the expected return and multiply the result by the payment received under the annuity, pension, or contract . . ."

Oh well, the English language from Chaucer to Mickey Spillane, seems to have had a fairly happy record until it met our income tax. It is obviously ill-prepared for this kind of torture.



"We sell lots of them around income tax time"

TO KEEP or not to keep: at's the question. And much too ofte we answer it the wrong way. We ke yes, let's face it—junk; and then disastrously, we don't keep something that is irreplaceable or difficult to duplicate.

An efficiency expert would say the reason for this is that we are too hap-hazard in our methods of accumulating. What sort of papers do you put on your desk, or stow in a drawer, "just till I have time to straighten things out"?

By setting aside a definite date at least once a year for sorting out and discarding unnecessary papers you can prevent the loss of valuable records and save storage space for more useful items. You may find papers taken out of your safe deposit box during the year that you will want to return to the box. When you do, it's a good idea to check the contents of your box and to make a list of the papers in it. This list should be kept up-to-date and accessible at all times.

For your business records there are certain definite dates you need to know. Your Federal income tax returns, for example, should be kept for three years. Except for fraud, you will not be questioned on returns older than three years. The statutes of limitation vary from state to state, so check with your local authority before discarding state income tax returns.

For contracts there are also statutes of limitation with varying numbers of years, depending on the state you live in. Here again it's wise to check. Your canceled checks and receipted bills need only be kept a certain number of years. After that there's no need for them.

Your personal papers have no official statute of limitation—you must decide for yourself. But here, too, a periodic check-up and discarding of some of your accumulations will actually help you keep the records and letters that make up part of your family's treasured archives. So—use your wastebasket wisely!

"When clients ask about the West I reach for my MOA Factfile!"

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"It's surprising how many of the bank's clients are 'looking West' these days—asking for information and advice about locating branch plants there. To answer their wide range of questions, a banker needs a handy, up-to-theminute reference source. One of the best is the MOA Factfile."



Yes. The MOA Factfile is a good reference source. In it are Data Sheets answering almost every question an expansion-minded executive could ask about the Metropolitan Oakland Area, which includes all of Alameda County, California.

In effect, it's a "pre-plant survey" of Climate, Labor, Markets, Distribution and Transportation, and Living Conditions, with facts kept up-to-date through frequent revisions.

224 nationally-known firms now have plants in

Alameda County, on the mainland side of San Francisco Bay. It is Northern California's Number One Population Center, with 57,000 more population than San Francisco County.

Sooner or later some of your clients will be interested in this area. Be prepared to answer all their questions by using the MOA Factfile and the special Industrial Survey Reports made available with it.

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	HAYWARD
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akland	OAKLAND
=	PIEDMONT
	PLEASANTON
	SAN LEANDRO
rea / F	URAL ALAMEDA COUNTY
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Address\_\_\_\_\_

## Salary Review Procedures and Controls

EVERETT B. POST

T is the purpose of this study to present a discussion of some of the policies and practices in use at this time in conducting reviews of salaries of employees in a bank or other organization where the preponderance of the jobs is clerical and supervisory. It also proposes to show how a systematic appraisal of salary relationships within the organization, and salary level changes outside the organization, can serve to guide the salary adjustment policies underlying the regular salary review procedures.

Job evaluation and merit rating systems now in operation normally provide by-products in the form of salary data accumulated at regular intervals according to job classifications, salary grades, and departments, together with reliable groupings of employees according to performance capabilities. It is suggested here that this material, together with the increasing amount of data concerning salary trends for various types of clerical work which has become available in recent years, can be used and studied on a continuing research basis to assist in establishing and adjusting effective salary policies and practices.

### Salary Payment Policies and Practices

Study of salary administration programs reveals at least three major objectives underlying the various policies and practices observed: (1) to make jobs in the organization remuneratively attractive so as to compete successfully with other employers in the local area for the services of capable personnel; (2) to keep salary expense within budget limits set in relation to all other costs of profitable operation; and (3) to provide incentive to employees to perform work effectively and efficiently.

The implementing of these policies

MR. POST is chief of the personnel relations division of the Federal Reserve Bank of New York. The article which follows is the first part of a condensation of his thesis written in partial fulfillment of the requirements for graduation from The Graduate School of Banking conducted by the American Bankers Association at Rutgers University. The complete condensation will appear as a chapter in Present Day Banking 1956, now in preparation. That volume, which will be off the press in the spring, will contain 32 chapters, each the condensation of one of the G.S.B. theses selected for a permanent place in the Library of the American Bankers Association, the Baker Library at Harvard University, and the library of Rutgers.

necessitates important decisions concerning practices to be followed; for example, whether in making salary comparisons it is sufficient to meet the minimum level of salaries paid other employers, the average position, or some other selected position in the array of their salary rates. In administering salaries, determination must be made as to the degree to which differences in salaries among individual employees will be dictated solely by differences between the proficiency of work performance of individuals as opposed to, or in relation to, differences in length of service with the organization, and the degree to which budget controls will be used and the form which such controls should take, as well as the relationships to be maintained between salary and profit and cost factors.

#### Types of Salary Review Plan

Motivation for the granting of salary increases may be found partly in the desire to reward for meritorious performance of work and partly in the need to produce generally higher salaries, using performance considerations merely as a guide to the equitable apportioning of the increases. Salary review plans of companies fall broadly into one of two general categories: (1) mass reviews at periodic intervals of salaries of all employees in the organization; or (2) separate reviews of individual employees on anniversary dates (of employment, etc.) of each person.

#### The Periodic Salary Review Plan

Under the typical "periodic" salary review plan salaries of all employees, except those assigned to training jobs who may be subject to "regular progression increases," are reviewed just prior to the end of each calendar year or at some other annual period. Officers in charge of departments are usually requested to recommend salary increases on the basis of the performance classification and the salary recommendation guides. Performance classification guides are definitions of levels of performance in terms of degrees below and above a standard established as satisfactory. Salary recommendation guides establish units of salary increase appropriate to performance classification and the salary grade levels pertinent to the jobs of the employees being considered; e.g.:

Salary Recommendation Guide

The periodic review of the salaries of all employees in the organization at one time has the following advantages:

VI, VII

(1) It provides a complete review (CONTINUED ON PAGE 125)

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Auto-Feed is the only real advance in photocopying since the Peerless "Bright-Light" system took the photocopyer out of the closet and put it on the office desk.

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The new Auto-Feed is available in a combination printer and processor, or as a processor alone. Your Peerless distributor will be pleased to demonstrate the Auto-Feed or the Standard Dri-Stat right in your own office... and in your normal office light.

Ask us to prove it!



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## How to Conduct a

## Small Business Management Course

AKING a bank loan to a small businessman can be a hazardous transaction unless the borrower has the training and experience to conduct his business on a profit - making basis. Since its organization in 1944, the Small Business Credit Commission of the American Bankers Association has emphasized to the Association's membership that a bank, by helping a small business customer to solve his management problems, is developing a sounder and better credit risk for bank credit.

The Commission also has stressed the point that the bank is rendering a distinct service to a customer and to the prosperity of the community by bringing to him information and technical "know how" which will enable him to cope with his many day to day problems in the operation of his business.

### Guidebook

The Small Business Credit Commission pioneered in advocating management courses and forums to accomplish its objectives. To assist banks in setting up such courses in their communities for business owners and managers, the Commission published a guidebook, Management Courses for Proprietors of Small Business Concerns. Copies may be obtained by writing the Commission. A number of such courses and forums have been conducted in various sections of the country, with bankers and other industrialists and businessmen cooperating.

Recently the Small Business Administration has joined with the A.B.A. in promoting educational programs for small business owners and managers. A course cosponsored by the Administration and the Extension Division of Rutgers University, New Brunswick, N. J., was completed last month. It was held on Mondays from 7 to 10 P.M. Tuition for the course was \$50. Harold E. Zarker, vice-president, Princeton Bank and Trust Co., and a mem-

ber of The Graduate School of Banking Commercial Banking IV faculty, was one of the lecturers.

## Subjects Included

As an aid to bankers in other communities, Mr. Zarker gave BANK-ING a breakdown of the number of hours devoted to each subject covered:

### Hours Topics

- 6 Financing your business
- 3 Legal and administrative struc-
- 3 Insurance plans for every business need
- ness need 3 What to expect from your ac-
- countant
  Cost accounting and budgeting
- 3 State and Federal labor laws affecting your business
  - Personnel problems
- 3 Management for increased sales
- 3 Sources of information and assistance to small business.

## **Outline of Zarker Lectures**

In brief, this is an outline of the material presented by Mr. Zarker in his instruction on "Financing Your Business" and "You and Your Banker":

- What a bank is and how it operates—commercial, savings, and investment.
- (2) Responsibilities of a commercial bank to depositors, borrowers,

Harold E. Zarker



community, stockholders, employees, and nation.

- (3) Indispensability of banks to business; volume of deposits and withdrawals, turnover of deposits yearly, coin and currency used, loans.
- (4) Development of "proper climate" for discussing financing of a business with your banker. How to prepare a satisfactory and informative loan application. How to prepare for the loan interview (from businessman's point of view—"What will the banker expect?").
- (5) Know your business in its every phase—products, competitors, industry, merchandising, costs, expenses, sales, profits, labor relations, research, sales promotion, trends (banker also interested in his grasp of these vital subjects).
  - (6) Sources of capital.
- (7) Equity financing for small business.
- (8) Logical uses for funds borrowed from commercial banks.
- (9) Why banks can't make every business loan applied for. Discuss safety, availability of funds, ability and willingness to repay, legal limits, regulations.
- (10) Discussion of various types of secured loans, i.e., stock exchange collateral, cash surrender value, life insurance, accounts receivable, field warehousing, chattel mortgages, conditional sales contracts, real estate mortgages, hypothecation.
- (11) Basis on which unsecured loans are made.
- (12) Actual example of business term-loan where company failed before obligation was liquidated. Include background, amount and terms, security, liquidation, reasons for failure.
- (13) Typical interest rates for various types and sizes of loans.
- (14) Discussion of philosophy of service charges and examples.
- (15) Definition of terms used by bankers.
- (16) Use of the "Profit graph" and budget.

(CONTINUED ON PAGE 139)



# Our Protected Loan Plan Will Build More Volume For You ... Because It Will Serve Your Customers Better!

When you provide your customers with our Protected Loan Plan, you not only give them the finest Credit Life Insurance, as created by our Society, but our continuing promotion service helps you build more business in every department.

Send For Our Tried and Tested Business Builder Plan Send today for the current copy of our BUSINESS BUILDER. It's filled with promotion ideas to help build more volume in every department. It is provided monthly to our customer banks. A copy is yours, without obligation.

## BANKERS SECURITY LIFE INSURANCE SOCIETY

103 Park Avenue, New York 17, N.Y.

1017 Walnut Street, Des Moines, Iowa

1625 Eye St. N.W., Washington, D.C.

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THE FORWARD LOOK

of the Chrysler Corporation





# NOW COMES TO YOU IN WATERLESS AIR CONDITIONING FROM Attemp



with the greatest savings possible in operating costs!

When you install an Airtemp Waterless Air Conditioner, you can anticipate a big saving in operating costs. And with good reason!

Airtemp waterless systems are finely engineered and carefully designed to give you more cooling at less cost.

It's a matter of record that Airtemp Waterless Air Conditioners have saved owners as much as 31% in cost of operation.

Your Airtemp dealer, a factory-trained specialist, will be glad to make a free survey of your air conditioning requirements. Why not phone him today? (See the Yellow Pages). Or write Airtemp Division, Chrysler Corp., Dayton 1, Ohio.





Airtemp gives you the wide choice in both waterless and water-cooled packaged air conditioning. 13 sizes from 2 to 30 H.P.

AIR CONDITIONING . HEATING FOR HOMES
BUSINESS . INDUSTRY

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## Public Relations Council Offers Citizenship Films

APPROXIMATELY 4,200 prints of six A.B.A. films on banking are currently circulating in all 48 states and the District of Columbia. This represents over 1,000 individual bank sponsors and 468 bank group sponsors. In addition, the A.B.A. program also includes general film information, film sources, and film tie-ins of particular interest to banks. Here is a case in point:

"Great Principles" do not survive merely because they are right, or because they have been painstakingly legislated. Unless the great principles of the American way of life are implanted in the minds and hearts of each new generation, they will degenerate and ultimately be destroyed..."

Those are the significant words of Dr. George S. Benson, director of The National Education Program and president of Harding College in Searcy, Ark. They are taken from an introduction—under the heading of "Filling a Need"—to a brochure describing a new series of American citizenship films produced and distributed by The National Education Program.

Representatives of the Public Relations Council recently reviewed several of these films. They were found outstanding and ideally suited for bank sponsorship. As a result, the Council has arranged a tie-in with The National Education Program whereby film prints may be purchased by banks or bank groups through the Council, thus making possible the advantage of discounts for purchases in quantity.

The National Education Program, under the leadership of Dr. Benson, has been producing educational materials, tools, and techniques on the American way of life for over 17 years. During that time it has been the recipient of many achievement awards, including recognition by President Eisenhower and the Freedoms Foundation.

Known as "The American Adventure," its new film series comprises 13 educational motion pictures in-



Safety is the first, and lasting, concern of progressive banks. It's one of our major concerns, too.

With deposits and resources at new highs ... with bank employees handling more and more money ... with criminal activity increasing, the need of banks for a full measure of protection against such ever-present risks as embezzlement, burglary, holdup, forgery, "misplacement" and the like is greater than ever before.

How long has it been since you last reviewed your blanket bond coverage? Are you sure it's up-to-date in form and sufficient in amount to cover your present increased loss exposures?

The right time to correct any deficiencies that may exist in your present blanket bond protection is now, not after you've had a loss. And the right man to call for an expert, objective appraisal of your coverage is the F&D representative in your community. You won't be obligated in the slightest way and you may learn something that's distinctly to your advantage to know.



AFFILIATE: AMERICAN BONDING COMPANY OF BALTIMORE



Resigned last position as of 25 December 1955. Excellent recommendations from banks across the nation. Helped them secure many new customers . . . new accounts. By installing Christmas Clubs.

With Christmas Clubs more folks enter your door every day . . . make regular payments. Even discover other banking services.

Have wide variety of Christmas Clubs to choose from. Particularly recommend

Rand McNally's. Their unique Clubtroller system speeds handling, cuts costs, eliminates need for ledger cards or sheets,

ue 1856 1756

100th Anniversar

For samples and full information, drop a line to:

RAND M:NALLY & COMPANY, CHRISTMAS CLUB DIV. 111 EIGHTH AVE., N.Y. 1 . BOX 7600, CHICAGO 80 tended to bring about a better understanding and appreciation of our American system . . . or, as the narrator says in the first film, "what makes it tick, why it's the best place on earth to live, why it's worth understanding, why it's worth saving, why wars have been fought to protect it."

The films are black and white, 16 mm., sound, each about 12½ minutes in running time. Featuring live dramatization, visual aids and cartoon animation, they are offered for television sponsorship and for showing to high schools, colleges, industries, and organizations. There is a discussion leader's or teacher's guide for each film in the series.

Subjects include:

No. 1—The Beginning at Plymouth Colony. Shows how Plymouth Colony's communal storehouse and the principle of public ownership developed into adoption of the political economic principles of private ownership and individual self-reliance.

No. 2—Our Two Great Documents. Dramatizes the circumstances out of which grew the need for the Declaration of Independence and the Constitution of the United States of America.

No. 3—The Structure of the American Way of Life. Builds simulated granite blocks to explain the American system. Disproves the well-intentioned belief that "the American way of life" is an abstract term, that it cannot be specifically defined.

No. 4—The Fall of Nations. Examines several important civilizations in history and discusses the actions and conditions leading to the fall of certain nations from world leadership.

No. 5—A Look at Socialism. Objectively studies the philosophy, substance, origin, and record of socialism in practice.

No. 6—A Look at Communism. Probes into the heart of communism—its philosophy, tactics, and strategy for ultimate world domination.

No. 7—A Look at Capitalism. Shows how the American system of capitalism works, including the comparative advantages it produces for all citizens.

No. 8—America's Distribution of Wealth. Dramatically shows the true facts of American capitalism's distribution of wealth, explaining how the vast majority of people share in the fruits of production.

(CONTINUED ON PAGE 82)

## How Revo-File, and only Revo-File can save you money in card filing



1. No punching of signature cards or vault access cards is required when you change from slow-poke, moneywasting drawer files to Revo-File. Just pick up your present cards by handfuls, drop 'em into a Revo-File and go to

work! Revo-File is the *only* single-drum rotary card file of its type that lets you do this. No wonder 9 out of 10 leading banks (by deposits) are using Revo-Files to gain the proved money-saving advantages of rotary card filing.



2. No chance of losing cards! Revo-File has an exclusive, patented method of holding cards to drum without relying on holes punched in cards, or other methods of attachment which often cause wear, mutilation, and eventual "fall out" of cards from drum into base of file. (No trapdoor needed in Revo-File.)



3. No limits on work speed! Since cards are not attached, one or hundreds can be removed and re-filed instantly. Easy to place Revo-File in most restful working position for any clerk. Cards come to her, not vice versa. All standard and most offsize cards accommodated. Manual and automatic electric selector models.



For big-volume card filing! The new Mosler Roto-File can accommodate more than 80,000 cards. Has all the exclusive features of Revo-File . . . on a bigger scale. Electrically controlled drums rotate independently—several clerks can work at same time.



World's finest rotary card file

If you have 3,000 or more active cards which are used continuously for reference and posting, mail coupon, today!

Revo-File, Roto-File Div. • The Mosler Safe Company, Dept. B-2, 320 Fifth Ave., N.Y. 1
Please send me complete information about (check items you wish):

☐ Mosler Revo-File, world's finest rotary card file. ☐ Mosler Automatic Electric Selector Revo-File. ☐ New Mosler Roto-File for volume card-filing applications.

NAME\_\_\_\_\_POSITION\_\_\_

DANK\_\_\_\_

CITY ZONE STATE



## CENTRAL NATIONAL BANK

## of Cleveland

123 WEST PROSPECT AVENUE

## **Condensed Statement of Condition**

December 31, 1955

### ASSETS

7100210	
Cash in Vault and Due from Banks	\$127,362,758.73 166,272,211.89
Stock of the Federal Reserve Bank	14,060,204.82
Loans Guaranteed or Insured by Federal Agencies Other Loans and Discounts	35,430,287.66 193,242,281.95
Customers' Liability under Acceptances and Letters of Credit Outstanding	1,793,984.27 2,698,332.14
Accrued Interest and Other Assets	3,072,831.90 \$543,932,893.36
Deposits: LIABILITIES	
Demand	\$500,277,633.25
Acceptances and Letters of Credit Outstanding	1,793,984.27 4,330,294.76
Valuation Reserve for Loans and Securities	6,253,938.54
Capital Stock (875,000 shares, par value \$16)       \$ 14,000,000.00         Surplus       14,000,000.00         Undivided Profits       3,277,042.54	
TOTAL CAPITAL ACCOUNTS	31,277,042.54
TOTAL LIABILITIES	\$543,932,893.36
United States Community at limiting and other states and a per language	

United States Covernment obligations and other assets carried at \$55,172,732,12 are pledged to secure trust deposits and public funds and for other purposes as required by law.



## **Statement of Earnings**

OPERATING EARNINGS	Quarter	Year
Operating Income		
Operating Expense 2,3 Operating Earnings before Federal Income Tax \$ 1,5 Provision for Federal Income Tax on Operating Earnings NET OPERATING EARNINGS \$ 9 Profit (or Loss) on Securities Sold, after Taxes Total Earnings Reserves \$ 5	100 665 50	\$15,230,857.52
Federal Income Tax	804,471.17	10,149,300.61
on Operating Earnings NET OPERATING EARNINGS Profit (or Loss) on Securities Sold, after Taxes Total Earnings Before Reserves \$ 5	505,194.42	\$ 5,081,556.91
Profit (or Loss) on Securities Sold, after Taxes . (3	550,000.00	2,125,000.00
	955,194.42 391,125.00)	\$ 2,956,556.91 (913,226.06)
Transferred to Valuation Reserve for Loans . \$		\$ 2,043,330.85
Transferred to (or from) Valuation Reserve for	175,000.00	\$ 875,000.00
Securities	391,125.00)	(913,226.06)
Total Transferred to (or from) Reserves . \$	83,875.00	\$ (38,226.06)
EARNINGS ADDED TO UNDIVIDED PROFITS \$	180.194.42	\$ 2,081,556.91

## Per Share Earnings

Operating Earnings before Federal Income Tax Provision for Federal Income Tax on Operating	\$ 1.72	\$ 5.80
Earnings		2.43
NET OPERATING EARNINGS	\$ 1.09	\$ 3.37

## Statement of Surplus and Undivided Profits

Total—Beginning of Period	\$17,190,598.12	\$13,850,921.63
Current Earnings	480,194.42 —0—	2,081,556.91 2,835,937.50
Total Additions	\$ 480,194.42	\$ 4,917,494.41
Dividends Paid	393,750.00	1,375,000.00
Extraordinary Expense—Sale of Capital Stock	-0-	116,373.50
Total Deductions	\$ 393,750.00	\$ 1,491,373.50
Total-End of Period	\$17,277,042.54	\$17,277,042.54

Member Federal Deposit Insurance Corporation

No. 9—Spirit of Enterprise. Demonstrates that America's economic progress and present-day prosperity have resulted from the development of productive ideas and production facilities—by people with imagination, initiative and courage, people

with a yen for independence.

No. 10—The Secret of American Production. Puts the spotlight on five major factors in "our incomparable production mechanism."

No. 11—The Profit System. Uses the fable of the goose that laid the golden eggs as the springboard for a sprightly "lesson" on the American profit system.

No. 12—Security and Freedom. Discusses the interrelated aspects of freedom and security.

No. 13—The Responsibility of American Citizenship. Points out that American citizenship is a combination of privileges and responsibilities. Discusses eight great obligations of citizenship. (In effect, reviews the preceding 12 films in the series.)

### Information Available

Inquiries in respect to cost, television use, preview prints, and identifying trailers can be directed to the Film Department of the Public Relations Council, American Bankers Association, 12 East 36 Street, New York 16, New York. (Telephone number is MUrray Hill 5-5100.) A descriptive brochure is available on request. Full information on the whole series has been sent to all state association secretaries.

A scene from one of the films, described above under "No. 10"



## EMENT OF CONDITION - December 31, 1955

## RESOURCES

BOOKCEO	
Cash and Due from Banks	\$251,407,263.51
U. S. Government Securities	99,046,177.87
State, Municipal and Other Securities	8,460,263.50
Stock in Federal Reserve Bank	2,100,000.00
Loans and Discounts	427,228,291.12
Loans Guaranteed or Insured by	
U. S. Government or its Agencies	14,065,306.26
Bank Building and Equipment	19,327,639.84
Bills of Exchange and Commodity Loans	25,859,933.66
Acceptances and Letters of Credit	15,952,976.35
Other Assets	921,829.41
TOTAL	

## LIABILITIES

88.24
00.00
25.90
23.57 76.35

U. S. Government 28,935,424.83 758,976,917.46 TOTAL \$864,369,681.52

## NATIONAL BANK of Dallas

Financial Center of the Southwest . .

CAPITAL & SURPLUS \$70,000,000



JOHN W. CARPENTER
Chairman,
Southland Life Insurance Co.
EDWARD H. CARY, JR.

President, Cary-Schneider Investment Co. WIRT DAVIS II

WIRT DAVIS II
Investments
FRED F. FLORENCE
President
R. B. GEORGE
President,
R. B. George Investments, Inc.
HAMLETT HARRISON
Executive Vice-President
Trinity Universal Insurance Co.
J. M. HIGGINBOTHAM, JR.
Higginbotham-Balley Co.
RALEIGH HORTEMSTINE
Chairman.

Higginotinal-Bailey Co.

RAITIGH HORTHASTINE
Chairman.
Wyatt Metal and Boiler Works
J. E. JONSSON
President, Texas Instruments, Inc.
J. C. KARCHER
President, Concho Petroleum Co.
J. L. LATIMER
President, Magnolia Petroleum Co.
W. W. LYNCH
President, Texas Power and Light Co.
LEWIS W. MacNAUGHTON
President, and MacNaughton
B. F. McLAIN
President, Hart Furniture Co.
STANLEY MARCUS
President, Nelman-Marcus Co.
HOMER R. MITCHELL
Chairman,
Texas Employers Insurance
Association

Association
J. H., PEARLSTONE
President,
Pearlstone Mill and Elevator Co.
CEORGE HARVEY PENLAND
Chalman,
Southwestern Drug Corp.

KARL HOBLITZELLE, Chairman of the Board

LARGEST IN THE SOUTH





## BANK LAW NEWS

## Branch Banking—State Taxation

### BRANCH BANKING

Office at end of tunnel under street is a branch, not a lobby extension.

In Michigan, the bank commissioner recently asked the attorney-general to decide just how far a bank might extend its banking house without thereby creating a branch bank.

Specifically, the commissioner asked whether a structure used by a bank for the performance of banking activities, and separated from an authorized office of the bank by a physical barrier such as a street, alley, or business building located on property not owned by the bank and devoted to other commerce, but connected to the bank by a tunnel through which customers may go directly to the office of the bank, is a "branch" bank. He also asked whether it would make any difference if the tunnel were used by customers of other businesses, rather than by bank customers exclusively; if the tunnel were used exclusively by bank officers and employees; or if the structure were connected to the bank by a tube instead of by a tunnel.

The attorney-general pondered and then came up with this answer. A bank which extends its banking house "across a physical barrier such as a street, or public alley, or business building located on property not owned by the bank and devoted to other commerce," is engaging in branch banking, regardless of whether the extension is connected with the bank by tube or tunnel and, in the case of a tunnel, regardless of who uses it.

The attorney-general looked at it this way: Michigan's Financial Institutions Act and pertinent case law permit a bank to hold such real estate as its directors determine necessary for the conduct of its busi-

ness, including the extension of its premises by acquisition of property immediately adjoining the banking house, and by the erection of more than one building on its premises. However, the law does not contemplate uncontrolled discretion in the directors to extend the bank's premises, for this might enable the bank "to construct tunnels which would extend for considerable distances [and] this could lead to circumvention of the provisions of the . . . branch banking [law]." Therefore, a bank may extend its banking house within the limits of premises which it owns, it may purchase adjoining lots in order to construct such ex-

## NOT QUITE A CORRECTION

W HEN the legislative history of 1956 is written, it will appear that the year saw 20 state legislatures meeting in regular session. This will make history conflict with the word as given here in last month's BANKING, that only 17 state legislatures would meet in regular session in 1956. Who's wrong? No one. Why the discrepancy? Well, it seems that the 1955 legislatures of Delaware, New Jersey and Pennsylvania just couldn't get their work done. When January 1956 rolled around, they were still in session.

When this issue of BANKING went to press, new legislation affecting banks was still being received from those states and from Connecticut, where a special session of the legislature recently enacted legislation enabling banks to render financial assistance for relief and rehabilitation in flood devastated areas. When all of this additional 1955 legislation has been received, a short summary of it will appear in BANKING.

tensions, but the extensions may not extend across the described "physical barriers."

The attorney-general explained that the use of such boundaries as streets, alleys, and property not owned by the bank would give the bank commissioner "clearly discernible limits within which he may determine whether a bank is engaging in branch banking or is merely extending its banking house..."

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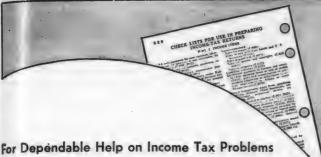
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The opinion noted that a different view of the situation had been taken in Texas and Oklahoma, where attorneys-general had issued opinions to the effect that structures of the nature described did not constitute branch banks within the meaning of the statutes of those states. Those opinions, said Michigan's attorneygeneral, relied upon the authority of a Kentucky decision (Marvin vs. Kentucky Title Trust Co., 291 S.W. 17), holding that the establishment of offices for the receipt of deposits and payment of checks only did not constitute the establishment of branch banks, since the personnel of such offices would merely be agents with very limited powers, not engaged in branch banking, but performing minor duties incidental to the business of banking. The reasoning of that decision could not apply in Michigan, however, for there state law specifically defines a branch to include any place where "deposits are received or checks paid or money lent." Op. A.G. Mich. No. 2315, Nov. 25, 1955.

## TAXATION-STATE

THE Federal Constitution and Congressional enactments protect national banks from discriminatory taxation by the states. A recent Georgia case illustrates that the states themselves can take steps to

(CONTINUED ON PAGE 86)



For Dependable Help on Income Tax Problems

-at Return Time and Year-'round ...

## Federal Tax Guide REPORTS

- Sound, dependable answers to the puzzling questions involved in unfolding federal tax changes call for a sound, dependable source of continuing facts and guidance . . . and here it is!
- Week after week, each issue of Federal Tax Guide Reports swiftly, faithfully hurries to subscribers the last word, the newest development, the latest twist and turn of events in federal taxation—of interest or importance in the everyday conduct of business and personal federal tax affairs.
- For CCH's Federal Tax Guide Reports span the whole work-a-day world of federal taxation for revenue—statutes, regulations, rulings, court and administrative decisions, returns, forms, reports, instructions. Pertinent full texts, filled-in forms, detailed explanations, editorial comments and suggestions—plus a wealth of friendly hints, tips, knacks, and pointers, from week to week, make clear exactly what to do, and how and when and why.
- Concise, compact, understandable, here is the dependable reporter on the federal taxes of the ordinary corporation, the average individual, partnership, or business. Two Loose Leaf Compilation Volumes are included without extra charge to start new subscribers off on the right foot.

Write For Further Details

## COMMERCE, CLEARING, HOUSE, INC.

PUBLISHERS OF TOPICAL LAW REPORTS

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NEW YORK 36

WASHINGTON 4

Pre-Return Tax Planning

Why Personal resourcement on Important

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TAX GUIDE

## **Guaranty Trust Company** of New York

MADISON AVE. AT 60th ST. FIFTH AVE. AT 44th ST.

40 ROCKEFELLER PLAZA

LONDON + PARIS BRUSSELS

Condensed Statement of Condition, December 31, 1955

### RESOURCES

Cash on Hand, in Federal Reserv	e .	Ban	k, a	ınd	Dı	1e	
from Banks and Bankers							\$ 671,504,053.84
U. S. Government Obligations .							829,757,187.25
Loans and Bills Purchased						٠	1,498,766,285.37
Public Securities	\$	59,8	862	,46	0.2	:5	
Stock of Federal Reserve Bank .		9,0	000	,00	0.0	0	
Other Securities and Obligations		63,	785	,17	1.4	9	
Credits Granted on Acceptances		15,	251	,45	3.0	14	
Accrued Interest and Accounts							
Receivable		20,0	097	,09	7.5	2	
Real Estate Bonds and Mortgages		16,	999	,30	3.3	7	184,995,485.67
Bank Premises	-						5,904,615.33
Total Resources							\$3,190,927,627.46

### LIABILITIES

Capital (5,000,000 shares - \$20 par) \$100,000,000.00 Surplus Fund 200,000,000.00 Undivided Profits 105,598,957.98	
Total Capital Funds	\$ 405,598,957.98
Deposits	2,714,389,961.79
Foreign Funds Borrowed	750,000.00
Acceptances \$ 21,459,607.81	
Less: Own Acceptances Held for Investment 3,671,636.77	
\$ 17,787,971.04	
Dividend Payable January 16, 1956:	
Regular 4,000,000.00	
Extra 4,000,000.00	
Items in Transit with Foreign	
Branches 466,026.08	
Reserve for Expenses and Taxes . 25,330,072.43	
Other Liabilities 18,604,638.14	70,188,707.69
Total Liabilities	\$3,190,927,627.46

Securities carried at \$274,850,577.62 in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

J. LUTHER CLEVELAND WILLIAM L. KLEITZ
Chairman of the Board President THOMAS P. JERMAN DALE E. SHARP Executive Vice-President Executive Vice-President DIRECTORS

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ROBERT W. WOODRUFF
Finance Committee, The Coca-Cola Company

Member Federal Den rit Insurance Corporation (CONTINUED FROM PAGE 84)

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protect their own banks from taxation which discriminates in favor of national banks.

Back in 1953, Georgia's legislature imposed an ad valorem fee upon the recording of real estate mortgages having a maturity in excess of three years. It is long-established law that national banks are not subject to such a tax. Ordinarily, state banks would be subject to such a tax. However, in 1952 Georgia's legislature enacted a law providing that all state banks "shall have the same immunities and exemptions as national banks . . . located in this state," and in 1953 it declared the policy of the state to be that taxation of state and national banks be equalized, and that state banks be subject to taxation on the same basis, in the same manner, and to the same extent as national banks. Accordingly, Georgia's Supreme Court has held that neither state nor national banks in Georgia are subject to the recording tax.

The decision may be compared with the opinion of Alabama's attorney-general, reported here in September 1955, that state banks must pay Alabama's mortgage filing tax, while national banks are exempt. Washington Loan & Banking Co. vs. Golucke, Clerk. Ga. Sup. Ct., No.

19075, Nov. 14, 1955.

## STOLEN CHECKS

Surety company is liable to drawer who signed check in blank, but drawee bank is not.

I Washington, D. C., an accommodating sexton invited a stranger loitering about his church to come within and make himself at home. The stranger did so, not only in the church but in the pastor's study, where he helped himself to two checks which had been signed in the name of the church by its authorized treasurer, with dates, payees' names, and amounts left blank. Upon departing the premises, the stranger completed the checks in the amount of \$373.34 each—the amount of the pastor's monthly salary as shown on the stubs in the church checkbook.

The checks were cashed and the church sought to recover its loss both from its bank and from the surety company which had insured it against thefts of church property, including "negotiable or non-negotiable instruments." The trial court directed verdicts in favor of both defendants. The church appealed.

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The Municipal Court of Appeals for the District of Columbia affirmed the verdict as to the bank. In so doing, it relied upon the general rules that a bank is bound to pay checks bearing its depositor's genuine signature, but is under no duty to ascertain that he personally filled in the body of the check; and that in cases involving two innocent parties, such as the one at bar, the loss must be borne by that one of them whose negligence made the loss possible.

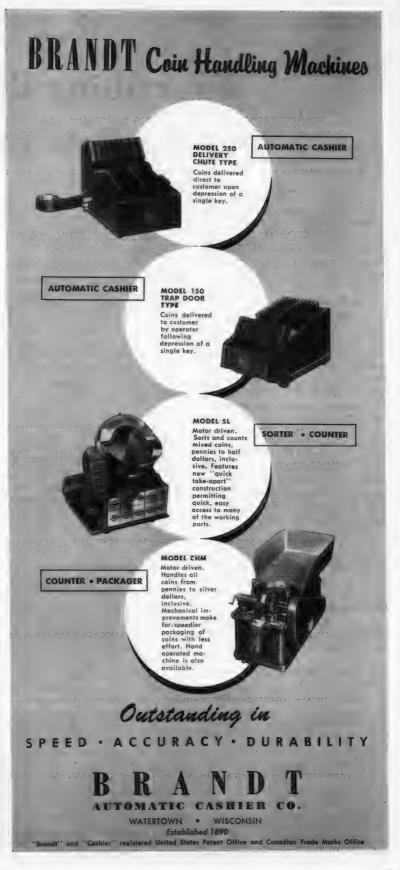
However, the appellate court reversed the verdict as to the surety, on the grounds that a policy offering protection against theft of "all negotiable or non-negotiable instruments" covers the theft of signed checks which, though incomplete at the moment of the theft, were in fact completed and successfully negotiated by the thief. The court further held that it was but a "play on words" to argue that the loss did not take place upon the church property, as required by the policy, but actually occurred at the bank when the church's account was debited with the amount of the two checks. The loss, so far as plaintiff was concerned, occurred when the robbery took place, said the court. Concordia Luth. Evan. Church v. United States Cas. Co., 115 A.2d 307.

## BRIEF NOTES ON OTHER CASES

Savings bank debt reserves: In determining additions to reserve for bad debts, mutual savings banks must reduce basis of mortgages receivable by amount of cancellations and reductions in principal agreed to in prior nontaxable years. Rev. Rul. 55-704, I.R.B. 1955-48,9.

Books and records: Order requiring production of documents in bank's possession regardless of relevancy to action in which they were sought, was too broad and should be reversed. Only such parts of documents as might be pertinent to defense of suit should be obtained. Overby v. United States Fidelity and Guaranty Co. (U.S. Ct. App., 5th Circ.) 224 F.2d 158.

JOHN RENÉ VINCENS



## **Everything Rises But the Rate of Rise**

The A.B.A.'s National Credit Conference annually gives to bankers at the policy level an opportunity to hear from well informed representatives of business, industry, and banking what the economic prospects are for the year ahead.

They're pretty good.

As the experts see it, there will be increases in gross national product, but no such percentage of increase as was shown in 1955. Residential construction will probably drop—but over-all construction will increase and with increased demand for mortgage credit. Business may see some turndown, but "the plain fact is that the economy gives no clear signs of faltering." More credit will be required than in 1955, but the rise in consumer loan volume should be slowed by a somewhat less spectacular automobile year.

In other words, the experts see a rise in almost everything except the

rate of rise and the income of the farmer. And a couple of the speakers had some ideas on helping the farmer, too.

This 8th National Credit Conference was sponsored by the Credit Policy Commission of the American Bankers Association and held at the Conrad Hilton Hotel in Chicago on January 16-18. The conference was opened and closed by George S. Moore, chairman of the Commission and executive vice-president, The First National City Bank of New York.

Much of what Mr. Moore had to say in opening the conference will be found in this issue included in *The Outlook and Condition of Business*, which begins on page 37.

Since Banking's press time and the Credit Conference arrived simultaneously, we present here excerpts only from those speeches which were available in advance.

## **Mortgage Demand Continues**

COWLES ANDRUS, president, County Bank & Trust Company, Passaic, New Jersey, and chairman of the Committee on GI Mortgages of the A.B.A. Savings and Mortgage Division.

THE prospects for real estate credit in 1956 are good, approximating the levels of last year. . . .

There has been just enough uncertainty built up in the minds of builders about possible tightening of credit restraints so that they have not planned as freely for the new season. Construction will get off to a slower start for the first few months than was true in 1955. Demand for bank mortgages will hold up.

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Bank funds available for mortgages will be substantial, but bank investment will represent a lower percentage of all 1956 mortgage investment than in preceding years....

## Must Maintain Quality

FRED F. FLORENCE, president, American Bankers Association, and president, Republic National Bank of Dallas.

The year 1956 promises to be a good one.... It is the primary task of each of us as businessmen and bankers to conduct our affairs so that we shall be in position to share in the prosperity that undoubtedly will prevail in the decades ahead....

If we are to make our maximum contribution to business stability and at the same time achieve healthy and rewarding growth, we must develop among both banks and borrowers a clearer understanding of the limitations of credit; we must impress upon all borrowers—both

large and small—the need for sound financial planning; and we must adapt our techniques to the demands of a growing and changing economy.

Viewed from every standpoint, the vital fact remains that in order to prosper, banking must always maintain a high quality of credit. . . . The quality of our loans determines in large measure the quality of our institutions and our value to the nation and our own shareholders. Quality of credit is synonymous with quality of management. Protection of the interests of borrowers, of lenders, and of the entire economic community depends largely on the wisdom and good judgment of bankers in carrying out the vital function of credit extension.

## **Executive Development**

WILLIAM POWERS, deputy manager, A.B.A., and secretary of its Committee on Executive Development.

A CADEMICALLY speaking, the banking business is exceptionally well equipped with educational facilities, tailor-made to meet its executive needs. These facilities, undoubtedly, must be improved and enlarged; but they are now predominantly superior to any existing in other business.

However, in the area of on-thejob training, banking can hardly claim leadership.

[Mr. Powers then discussed the meetings of bank presidents, in every area of the country and over a period of 15 months, all directed at ascertaining specific requirements of management positions; appraising personal qualifications of candidates for such positions; and in counseling and developing those candidates.]

## In Prospect for 1956 . . .

Bankers, nearly a thousand of them, and all in policy-level positions, gathered to hear what wellinformed industrialists, businessmen, and bankers feel is in prospect.

The future—1956 cannot show increases in gross national product comparable with the gains achieved in 1955. But, consumers will have more money to spend, this in spite of the increasing percentage of their income which is dedicated to instalment debt reduction.

Business may see a turndown before the year is out—but the plain fact is that the economy gives no clear signs of faltering.

Credit—more will be required than in 1955, although a less spectacular automobile year should tend to slow the rise of consumer loan volume.

Mortage requirements—for construction, warehousing, and long-term financing the requirements will be high in 1956, with an increase probably less than in 1955.

The lumber industry probably won't match last year's record, but expenditures for construction are expected to pass the all-time peak established in 1955.

No serious credit problems have appeared. Some bankers indicated that more time is being devoted to serving loans in order to prevent credit problems from developing.

Are consumer credit totals rising too fast? There are some indications right now of a narrowing of the spread between debt incurred and debt retired. A turn downward in the growth of consumer debt may be underway right now.

Is small business being properly served? Despite a "sound and yet aggressive development" of its loan program, the Small Business Administration thus far has made relatively few business loans.

Are there any weaknesses in banking's future? One speaker said: "It is my firm opinion that banking is not at the present time devolping enough leaders to guide its activities in the future."

The sore spot. Conditions were never so good for business in general. The "one rotten apple in the barrel of national prosperity is the present farm situation."

Details of the procedures are now incorporated in our handbook entitled "Executive Development in Banking."

## **Consumers Called Prudent**

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THEODORE V. HOUSER, chairman of the board, Sears, Roebuck and Company, Chicago.

It is perfectly clear to me that in the foreseeable future, although possibly not until late in the year or by early 1957, one of two things may happen. Consumers will realize that individually they are reaching the limits of prudence and will voluntarily curtail their purchases to the extent that will permit some liquidation of outstanding debts; or inventory accumulation will become apparent to manufacturers and dis-

tributors, and a slackening of production schedules will occur.

Regardless of which of these possibilities comes first, its reaction on the other will be immediate and direct. A slackening of consumer credit buying will be promptly noted by manufacturers and distributors, with a consequent revision of production plans.

Historically, figures indicate that when the ratio of credit extended exceeds the rate of repayment by from 2% to 2½% of disposable income, a correction occurs. This has occurred four times since 1940. I want to emphasize that these corrections are made voluntarily on the part of the consumer and reflect the prudence with which the vast majority of people conduct their affairs.

## Farm Incomes Still Slip

WALTER M. WILLY, chairman of the board and president, Security Bank, Madison, South Dakota, and a former chairman of the A.B.A. Country Bank Operations Commission.

THE farm credit road ahead will be a rougher road to travel than we have experienced in the past 15 years, but careful planning and hard work will bring country bankers and farmers through this adjustment....

The return to peacetime from wartime has never been an easy adjustment for farmers. After filling bloated wartime demands, it is not a simple matter to reduce peacetime production to fit shrinking home and foreign markets. To see what such periods of deflation can do to farmers, we need only to recall the hard times of the 20s and the 30s. The

George Moore

Kenneth Swiener

Roy Reierson

Thomas Boushall

William Kelly











February 1956









William Powers

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adjustment today, because of support prices and very prosperous general conditions, is not nearly so severe. . . .

## **Economic Responsibility**

DON H. WAGEMAN, chairman of the executive committee, Seattle-First National Bank, Seattle, Washington.

BANKING, as you well know, is more than just lending money and getting it back. Of course, we have a duty to our depositors and stockholders to operate the bank safely and profitably; but over and above these commonly accepted responsibilities, there is another, even greater. That is our economic responsibility to use the funds entrusted to us in a manner which will amply support a sound economy and, equally, at the same time (and at the possible sacrifice of earnings) to refrain from making certain "safe" and "money good" loans when the purpose for which the loan is to be used conflicts with the interest of a sound economy for our own area, or for the nation. . . .

## Credit for Small Business

WILLIAM F. KELLY, president, The First Pennsylvania Banking and Trust Company, Philadelphia, and chairman, A.B.A. Small Business Credit Commission.

Now that money is tight and demand for loans stronger than it has been for many years, you might expect that I should be strongly urging each of you to ration your loanable funds so that small business will get its share.

Actually, the exceedingly high level of loans in our commercial banks is the clearest possible indicator that the credit needs of small business are being met in a full, liberal, and yet constructive way.

### Atoms Share Power Burden

ROBERT E. WILSON, chairman of the board, Standard Oil Company (Indiana).

COAL will continue to be the principal fuel for central power stations, and its metallurgical uses will increase during the next 25 years.

It [atomic power] has come in the nick of God's time to enable us to continue our burgeoning use of power without exhausting irreplaceable fossil fuels. But it will not quickly upset any important apple carts, or revolutionize any major industry-it will rather be a matter of evolution.

Barring a world cataclysm, world population in the next century is almost certain to increase by threefold and its power requirements at least tenfold. With this outlook, I, for one, welcome atomic energy with open arms. For the long pull, it will be, not a competitor, but a burden - sharer; and its ultimate availability should still the recurrent cry that we are running out of oil and that the Government should therefore take us over.

## **Prices Remain Stable**

DELOS C. JOHNS, president, Federal Reserve Bank of St. Louis.

THE large upswings in consumer and mortgage credit have given rise to some concern. It is true that the stimulus they gave to household spending has not produced a sharp rise in consumer prices, which remained almost constant throughout 1955. Also there was no clear evidence that consumer and residential and mortgage debt, at present levels of disposable income, had seriously aggravated collection problems.

In this past year, we have bent our efforts, in commercial banking and in central banking, to restrain-

ing a headlong rush of the economy into possible inflationary dangers. We must make the monetary and credit instruments do their part in sustaining consumer demand and halting the rise of industrial prices. If we discharge our responsibilities well, the reverberations of '55 will merge with the quiet sounds of an economy undergoing capacity changes consistent with the maintenance of stable prices.

## Aiding the Farmer

WILLIAM M. LOCKWOOD, president, Howard National Bank & Trust Company, Burlington, Vermont.

WHAT of the farmer? Surplus production and low prices continue to plague him. Even though little or no additional acreage has been brought into cultivation since the 1920s, the number of acres being farmed is too great. Biological and chemical research, more and more mechanization have brought astounding increases in yields. The great demand of the war years encouraged the farmer to expand production to the maximum. While industry stopped, to a great extent, the production of civilian goods, the farmer went on producing more and more of the same things. When the war ended, industry converted to peacetime production, for which there was a large accumulated demand. It was not a case of converting for the farmer. He lost a large part of his market. Painful adjustments and Government supports have not brought supply and demand within range of each other. The outlook for prices is still down.

In the circumstances, the banker must be flexible and ready to adjust payment plans. Loans, originally scheduled for repayment in two or three years, will have to be extended to four or five years. We find that writing livestock and equipment loans for one year at a time has its merits. . . . Intermediate term loans will, in effect, replace short term loans in certain types of farming. The banker must be realistic and must help the farmer with his financial planning to their mutual advantage.

### Watch Auto Excesses

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THOMAS C. BOUSHALL, president, The Bank of Virginia, Richmond.

It is not the volume of credit outstanding today [that is dangerous]. where it is owed on sound terms by buyers or borrowers who are able to meet their proper obligations, but it is rather the threat of a continuing excessive outpouring of automobiles into the hands of acquiescent dealers who in turn seek any terms of credit available to them by which they can pass the cars off their showroom floors or used-car lots whether those terms be constructive, beneficial, or sound, and whether this oversupplying of cars on improper credit terms may crack the whole structure of instalment credit.

Therefore, let the appraisal of the outlook for consumer instalment credit stand at this: there is not too much credit outstanding related to the number of people who owe it and related to the gross national product, and related to the national personal income or to the net personal disposable income. But there is the danger of unsound terms being extended for selling an excess supply of high-costing automobiles. That danger needs to be faced and eliminated not only by the banks but by finance companies; by dealers; and, in turn, by a sane, sound adaptation of manufacturing schedules to proper customer or public needs.

## Less; But Prosperous

R. C. INGERSOLL, chairman and president, Borg-Warner Corporation, Chicago.

We do not need a year like the boom year of 1955 to enjoy a prosperous economy. I think it is important to remember this when we view business prospects for 1956.

I predict that business in the first half of 1956 will be better than that in the first half of 1955.

I believe that some of the bloom will be off the economic rose in the last half of 1956. But by no means do I look for a really serious recession anywhere nearly approaching the depressions that were experienced in past decades. I merely believe that the boom of today's proportions may have slowed down by midyear.

## Credit Growth May Slow

ROY L. REIERSON, vice-president and economist, Bankers Trust Company, New York.

PERHAPS the immediate conclusion to be derived from the record of 1955 is that should inflationary pressures persist, credit continue to expand rapidly, and inventory speculation or the like become widespread, further credit tightening would surely be in the cards. However... the recent easing in demands for housing and automobiles appears to have mitigated the near-term danger of an inflationary blowout; and, at the same time, the odds seem to favor a tapering off in the recent rapid growth of credit. While some weakness in this or that sector of a still expanding economy should not be expected to usher in a renewal of easy credit, the Federal Reserve, in its continuous watch over the economy, will certainly give due

weight to any evidence that inflationary pressures are slackening and that credit expansion is moderating.

If this line of reasoning has substance, the near-term outlook is for continuing fairly tight conditions in the money market but against another round of increases in the discount rate.

## **Prediction for Trucking**

ROY FRUEHAUF, president, Fruehauf Trailer Company.

Ten years from today—in the year 1966—we believe:

The nation's motor transport fleet, which now numbers 10,000,000 vehicles, will grow to 15,000,000. America's freight trailer fleet, now 700,000, will be more than double this figure.

Many units in these fleets will be powered by the atom. There'll be more and more plastic trailers.

Piggybacking—which just began to grow in 1955—will become the biggest single revenue-producing factor for the nation's railroads.

Fishybacking, the carrying of loaded truck trailers on steamships, will grow to great importance along both coasts and on the St. Lawrence Seaway. Trailer ships will become more and more numerous.

By 1966, truck trailers will be carrying more than half of all the total freight being carried on railroads and highways.

And our cities will be less congested. Underground garages and push-button garages, which will store cars and bring them back automatically, will be helpful factors in reducing traffic. There'll be "truck streets" in downtown areas. And the "no parking" signs for motorcars will be on many streets.

Sidewalks will move — and more and more pedestrians will move underground under the traffic, on these rolling sidewalk conveyors.



R. C. Ingersoll

Theodore Houser

Delos Johns

Robert Wilson











February 1956

## BANKING NEWS

## Testimonials Expressing A.B.A. Appreciation for Loyal Service Are Presented to T. B. Paton and James E. Baum

O'N retirement from the American Bankers Association on December 31, 1955, James E. Baum and Thomas B. Paton had a combined service record of 69 years. In recognition of their valuable contribution to the Association, Mr. Baum, who was deputy manager in charge of the Insurance and Protective Department, and Mr. Paton, who was assistant general counsel and secretary of the State Legislative Committee, were presented with testimonials in the form of engrossed plaques.

Both plaques were signed, on behalf of the Association, by President Fred F. Florence, who is president of the Republic National Bank of Dallas, and by Merle E. Selecman, executive manager of the A.B.A. Mr. Baum's testimonial was also signed by Thomas F. Glavey, chairman of the Insurance and Protective Committee and assistant vice-president, The Chase Manhattan Bank, New York City, while Mr. Paton's citation was also signed by Ben C. Corlett, chairman of the Committee on State Legislation and vice-president of the American Trust Company, San Francisco.

## The Paton Citation

The plaque presented to Mr. Paton reads as follows:

"In recognition of his outstanding service over 37 years to the American Bankers Association in its legal department, and especially in the field of state banking legislation, this testimonial of appreciation and affection is presented to

### Thomas B. Paton

"As Assistant General Counsel of the Association, and as Secretary of its Committee on State Legislation, he made a distinguished contribution in initiating and working tenaciously on important projects and studies leading to better banking and tax legislation by the states. He will be remembered in the legal field as Editor of Paton's Digest of Legal Opinions for many years, and as an early associate of his father, who founded the Digest.





J. E. Bann

T R Poton

"Upon his retirement from the Association's staff, we welcome this opportunity to express in behalf of the Association membership our deep appreciation for his many years of constructive service and to extend to him our good wishes for the years to come."

## The Baum Citation

Mr. Baum's citation reads:

"Few men have served banking more effectively than James E. Baum. During the past 32 years, his contribution in carrying out difficult negotiations in behalf of the banks has earned him the sincere appreciation and affection of the banking fraternity.

"He has been Deputy Manager in charge of the American Bankers Association's insurance and protective activities since 1924 and has proved himself an expert in these fields. Bankers of this country will be everlastingly grateful for the many improvements in insurance coverage which his efforts over the years have achieved. Only the exercise of industry, determination, tact, and diplomacy could have accomplished so much.

"As Jim Baum retires from active duty at the end of this year, he may be justly proud of the fact that the quality of bank insurance was never so high nor the cost of the broad protection it affords so low.

"We are grateful to him for his accomplishments. His influence will ever be remembered by the banking and insurance industries."

A similar tribute was paid to A. G. Brown, who, before retirement on December 31, 1955, was deputy manager of the A.B.A. in charge

## Five Saarlanders Here to Study U.S. Finance Methods

A delegation of five men from the Saar District launched a five-week tour of American financial institutions with a visit to New York on Jan. 23. The five, representing banking and education, were at the national headquarters of the American Bankers Association, 12 East 36 Street, New York City, and after conferences with members of the A.B.A. staff, visited several New York City commercial and savings banks.

Arrangements for the visit were made by the International Cooperation Administration of the Federal Government, which has arranged for similar visits to the A.B.A. and American banks of representatives of nine other business and banking groups from countries of Europe and Asia over the past two years.

## **American Methods**

The visitors are interested in studying American methods for the financing of exports, the financing of private housing and other types of building construction, instalment buying and credit, and American banking policies in granting loans to industrial, business, and agricultural enterprises.

The delegation from the Saar includes representatives of banks, all of whom specialize in different types of financing, including export and import, construction, instalment credit, and savings bank operations. They are particularly interested in the procedures employed in banks in determining risks and establishing loan terms.

On their return to the Saar the group will make the information they obtained available to all other banking institutions in the District. As some of the five men do not speak English with facility, they are being accompanied by interpreters and representatives of the American Government.

of the Agricultural Commission and secretary of the Subcommittee on Agricultural Credit. The Brown citation may be found on page 70 of January Banking. by

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## Savings Bonds Bulletin | Internat'l Banking Summer Prepared by A.B.A. Committee | School Accepts G.S.B. Bid for Treasury, Banker Guidance

## "Liaison List" Prepared by Committee for Local Level Use

An information bulletin designed to give pertinent information on five different aspects of Savings Bonds sales promotion activities has been prepared by the Savings Bonds Committee of the American Bankers Association and sent to the Association's regional and state vicepresidents, members of the Government Borrowing and Federal Fiscal Procedures Committees: U.S. Treasury personnel operating in the Savings Bonds Division; state bankers association officials; and interested hankers.

### Five Uses

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Dedicated to "Savings Bonds in 1956," the bulletin is useful in these five specific ways:

- (1) It contains basic information -as a recapitulation of the organization, functions, and activities of the A.B.A. Savings Bonds Commit-
- (2) It sets a pattern for the future-as a report on Treasury plans and goals for the promotion of Savings Bonds this year.
- (3) It offers guidance for local action-as an outline of A.B.A. recommendations for banker activity in behalf of Savings Bonds.
- (4) It cites "accolades to bankers" -as an expression of Government and public appreciation for what bankers have done to promote Savings Bonds.
- (5) It facilitates local cooperation -as a "liaison list" of Treasury representatives and bankers in the various states who are officially or indirectly concerned with the Savings Bonds program.

The Savings Bonds Committee of the A.B.A. has also prepared a "Savings Bonds Liaison List" as a reference guide to facilitate local Savings Bonds cooperation. It comprises a roster of the A.B.A. Savings Bonds Committee and a stateby-state list of A.B.A. state chairmen, state bankers association officers, Treasury state sales directors and Treasury state chairmen for 1955-56. A.B.A. and Treasury Savings Bonds personnel are also in-

## to Hold Session at Rutgers

## 54 Countries Invited to Send Students to July 7-21 Classes

For the first time in its 9-year history, the International Banking Summer School, which brings together bankers from all over the world to discuss their common problems, will be held in the United States this year. The school will take place on the campus of Rutgers University, New Brunswick, N. J., July 7 through July 21. Invitations have been extended to 54 countries to send representatives to the school.

The International School is being held in this country at the invitation of The Graduate School of Banking of the American Bankers Association. The G.S.B., a school of advanced study for bankers of officer rank, annually holds its own summer session at Rutgers in June. Although the G.S.B. is aiding in the arrangements for the International School, each is a separate entity, and their 1956 summer session programs will be independent of each other.

## Started at Oxford in 1948

The International School, which is attended by about 200 leading bankers, was started in 1948 at Oxford University by the Institute of Bankers in England to give bankers in various countries an opportunity to discuss worldwide banking and financial problems. Every third session is held at Oxford, with intervening sessions in other countries. In addition to the representatives of American banks, William Powers. registrar of the G.S.B., has attended two of the Oxford sessions preparatory to bringing the school to the United States. Dr. Joseph E. Hughes, president, The County Trust Company, White Plains, N. Y., and chairman, G.S.B.'s Board of Regents, also attended the 1955 ses-

cluded for Alaska, Hawaii, and Puerto Rico.

William H. Neal, senior vice-president, Wachovia Bank and Trust Company, Winston-Salem, N. C., is chairman of the Savings Bonds Com-





J. E. Hughes

sion of the International School at

Invitations to attend the school are extended to practically every nation in the world, including those behind the "Iron Curtain." The USSR and several other Communistdominated countries were represented in the student body at Oxford in 1955.

The two-week session will be devoted to lectures and panel discussions both on the broad economic questions facing the world and on more specialized banking subjects. Since this is the first time the school has met in the Western Hemisphere, the emphasis this year will be placed on studying financial policies and procedures in this part of the world. Topflight financial experts will lecture on such subjects as U.S. foreign economic policy and laws affecting foreign trade, the American economy, American monetary policy, the Canadian and Latin American monetary and economic policies.

Each country is entitled to send a specified number of bankers to the school. The United States' quota ig 20

## NABAC School Will Have 300 Students at '56 Session

For the first time since the NABAC School for Bank Auditors and Comptrollers was started in 1953, it will have a full complement of 300 students at the 1956 session, says Director Clarence H. Lichtfeldt, comptroller of the First Wisconsin National Bank, Milwaukee.

The fourth session of the school will be held July 22 to Aug. 4 at the University of Wisconsin, Madison. The Class of '56 comprises 97 bankers, second year enrolment is 109, and there will be approximately 100 men in the first year course.

To assure each student maximum benefit from the open discussions, each year's class will be divided into two groups.

## Two-Thirds of Bank Non-Officer Personnel at Year End Were Women; About 9% of Bank Officers Are Now Women

Approximately one-half of the more than 22,000 people employed in the nation's 527 mutual savings banks, which are located primarily in the eastern states, are women. Of this majority, 271 now have officer status, according to a survey in a recent issue of the Savings Bank Journal. Nine are members of boards of trustees of the savings banks. Three are vice-presidents, the highest officership of women in savings banking. One vice-president, who is also a trustee and treasurer, actually turned down the presidency of the bank on Cape Cod. Today she still ranks highest among savings bank women

Of the 271 women officers, 103 hold the title of assistant treasurer. and 91 the title of assistant secretary -the two largest officer categories. Nine are assistant vice-presidents, four are both secretaries and treasurers of their banks, 14 are full secretaries, and three are full-fledged treasurers. Of the 22 titles listed in a recapitulation of the distaff side of banking, a lone woman is a comptroller, and one is her bank's counsel.

Nationwide, women show an even greater preponderance in banking. George B. Ward, director, A.B.A. Bank Personnel Administration, estimates that at the end of 1955 there

were a total of 550,000 people, officers and personnel, employed in the 14,500-odd banks, both savings and commercial. Of the non-officer personnel of 450,000, approximately two-thirds, or 300,000, are women. In officer status, approximately 9%. or 9,000 of the 100,000 bank officers, are women.

In commenting on women in banking in the Journal, Ivy Baker Priest, Treasurer of the United States, and fiscally speaking the highest ranking woman in America, says: "Women have made tremendous strides in the banking field in recent years. When we realize that two-thirds of the 450,000 bank non-officer employees are women, it is definite proof of that progress and of the great contribution they are making.'

Tabulation of feminine financial officers in mutuals reveal that Massachusetts records more than any of the other 17 mutual savings bank states with a total of 93. New York State runs a close second, with 76, and Connecticut is third with 47.

The Savings Bank Journal, in commenting editorially on women in banking, pointed up that the Roman Mint was annexed to the Temple of Juno Moneta, Goddess of Money, whence, it is believed, came "Moneo" and the anglicized "Money."

At the left, below, is a sample of the A.B.A. home improvement ad series illustrated with pen drawings and at the right is a sample of the ad series illustrated with cartoon strips. There are 12 ads in each series. Story page 95



Your home represents a big investment-protect it. Note signs of "wear and tear"; list them; get contractors' estimates; figure how much cash you can put "down"—and see us about financing the balance, economically. Then get started!

2-HR-3





We are glad to extend credit when it will really benefit the borrower and help improve local property values. See us abou your improvement needs

BANK NAME GOES HERE

## A.I.B. Membership and **Enrolments May Top 1955**

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The American Institute of Banking's membership on January 1, 1956 stood at 114,149 and class enrolments at 47,386, according to Robert C. Rutherford, Institute secretary. At the same time last year the membership and enrolments were at about the same figure.

If the trend now indicated by the midvear membership and enrolment figures continues until the end of the Institute's school year, Mr. Rutherford said, the membership should top the 1955 record of 121,701 and class enrolments at least equal the 1955 figure of 65,668. "In fact," he said, "there is a good chance that we will top these 1955 figures by June 1."

## Model State Banking Code Copies Are Now Available

Additional copies of the Model State Banking Code have been made available by the A.B.A. Committee on State Legislation for distribution to those interested in the improvement of state banking laws.

The code was drafted by a special Subcommittee of the Committee on State Legislation, composed of distinguished bankers and bank attorneys, and assisted by the Legislative Drafting Research Fund of Columbia University. The first complete draft of the code appeared in 1948. A second edition appeared in 1950. In order that the code would remain a "current document," suited to the needs of the times, piecemeal revisions have since been made to various of its provisions, as changing conditions warranted.

As conceived by Thomas B. Paton, for many years assistant general counsel of the A.B.A. and secretary of the Committee on State Legislation, the code is not designed for verbatim enactment, but for use as guide in any state where it is desired to revise and modernize the laws governing state banks.

The code already has been used as a guide for revisions of banking laws in Colorado, Florida, Illinois, Kansas, Massachusetts, South Carolina, and Alaska.

You can admire the courage of the generals, admirals, and politicians who have decided that now it can be told-at \$2.25 a word.

## Dinner Program for G. S. B.'s 20th Anniversary Reunion Marks Important Milestone; Full Day of Reunion Fare

The dinner program for the 20th Anniversary Reunion of The Graduate School of Banking to be held at the Sheraton-Astor Hotel in New York on February 3 may prove one of the most important milestones in the history of the School, according to Robert W. Sparks, Jr., general chairman of the Anniversary Committee, and first vice-president and treasurer, Bowery Savings Bank, New York City. Leading members of the original and the present-day faculty of the School conducted by the American Bankers Association at Rutgers University, winners of the Ayres Leadership Award, class presidents, and outstanding bankers from all sections of the country will take part in the reunion.

While there will be no formal addresses, it is expected that the remarks of the men introduced by Dr. Harold Stonier, dean of the Graduate School, and former executive vice-president of the American Bankers Association, will outline objectives and policies of the School which will be maintained during the years to come. The next reunion of the School is planned for 1960.

## Dr. Stonier Emcee

According to an advance program for the dinner meeting which will close a full day of reunion activities, Dr. Stonier will act as master of ceremonies following remarks by Chairman Sparks; the invocation by Dr. Bradford S. Abernethy, chaplain of Rutgers University and The Graduate School of Banking; and the presentation of Dr. Stonier by Dr. Joseph E. Hughes, president of The County Trust Company, White Plains, N. Y., and chairman of the Board of Regents of the School.

Among the men who will be presented by Dr. Stonier will be Dr. Lewis Webster Jones, president of Rutgers University; Dr. E. Sherman Adams, director of the Graduate School, and deputy manager of the A.B.A. in charge of the Department of Monetary Policy; Dr. William Irwin, retired associate director of the Graduate School, and former economist of the A.B.A.; and Fred F. Florence, president of the A.B.A., and president of the Republic National Bank of Dallas.

In the course of his remarks, Dr. Adams will introduce the men who have received the Ayres Leadership Award of the G.S.B., which was established in memory of the late General Leonard P. Ayres, who was one of the nation's leading economists, and who delivered the annual economics lecture in the early days of the School.

## Original Faculty Represented

Representing the original faculty will be Eugene E. Agger, former Commissioner of Banking and Insurance for the State of New Jersey, and former professor of economics and director of the Bureau of Economic and Business Research at Rutgers University, who taught Commercial Banking IV; Willard E. Atkins, professor emeritus of Washington Square College, New York University, who taught Economics at G.S.B.; Adrian M. Massie, chairman of the board. New York Trust Company, New York City, who taught Investments III; Austin W. Scott, professor of law, Harvard Law School, Cambridge, Mass., who is still teaching Trusts at the School; Gilbert T. Stephenson, retired director of trust research of the School, who taught Trusts; and O. Howard Wolfe, retired cashier, Philadelphia National Bank, who taught Commercial Banking IV. Dr. Scott will respond on behalf of the faculty members.

Comments will be made by William Powers, registrar of the School, who will introduce A. S. Johnson, comptroller of Rutgers University; Maurice A. Chaffee, associate registrar of the School, and director, University Extension Division, Rutgers University; and the Graduate School class presidents in attendance.

## Wiggins, Burgess to Speak

Talks will be given by A. L. M. Wiggins of Hartsville, S. C., former A.B.A. president, and presently chairman of the board of The Bank of Hartsville, who is a member of the Senior submajor faculty, and W. Randolph Burgess, Under Secretary of Treasury, and the present Ayres economics lecturer of the School.

The meeting will be closed with the School song, "The Mists."

## W. P. Eyring Replaces F. M. Darrow on A.I.B. Council

William P. Eyring, vice-president, The Liberty Bank of Buffalo, Buffalo, N. Y., has been appointed to fill the unexpired term of Frederick M. Darrow on the Executive Council of the American Institute of Banking, it has been announced by Bernard J. Lunt, president of the Institute and assistant vice-president, The Fort Worth (Tex.) National Bank. Mr. Darrow of the Onondaga County Savings Bank, Syracuse, N. Y., recently resigned from the Council because of the pressure of bank duties. The Executive Council is the Institute's governing body.

Mr. Eyring will represent the A.I.B.'s District 2, New York State and New Jersey, on the Council. He will serve until the Institute's 1957 convention, when a new councilman from the district is scheduled to be chosen at the regular membership elections. The unexpired term of Mr. Darrow, now to be completed by Mr. Eyring, began at the elections at the 1954 convention in Los Angeles.

## Promotion Material for Home Improvement Loans

The American Bankers Association's Advertising Department is cooperating with the "Operation Home Improvement" program set up by the nation's home construction industry by starting the year 1956 off with several units of home improvement loan promotion material. The OHI campaign will continue throughout the year and is designed to encourage Americans to improve their homes.

Two series of home improvement newspaper advertisements and two direct mail folders were completed and offered to A.B.A. member banks last month. The OHI seal featuring the slogan "'56... the year to fix" may be included in the A.B.A. material should subscribing banks elect to use it.

The purpose, of course, of the A.B.A. promotional material is to acquaint home owners with the fact that their community banks stand ready to make sound improvement loans should owners desire to respond to this nationwide appeal of the home construction industry.

See sample ads on page 94.

The 2-color folders use the same illustrations as the ads.

## **News for Instalment Credit Men**

Items and Comment from Our Instalment Credit Commission and Other Sources

## Conference in St. Louis Set for March 19-21

THE annual National Instalment Credit Conference of the American Bankers Association will be held in St. Louis, Mo., March 19-21, 1956, according to Carl A. Bimson, chairman of the A.B.A.'s Instalment Credit Commission, and president, Valley National Bank, Phoenix. The conference, which will be sponsored by the Commission, will be held in the Jefferson Hotel.

The Instalment Credit Conference annually attracts between 1,200 and 1,500 instalment lending executives from banks throughout the United States.

## **Speakers**

The conference program began to take shape last month with the announcement by Chairman Bimson of six of the speakers who will address the meeting.

The six speakers are Admiral Frederick J. Bell, executive vice-president, National Automobile Dealers' Association, Washington, D. C.; Ross D. Siragusa, president, Admiral Corporation, Chicago, Ill.; Thomas Geist, vice-president, Federal Reserve Bank of Kansas City; J. P. Dreibelbis, vice-president, Bankers Trust Company, New York City; Kenton R. Cravens, president, Mercantile Trust Company, St. Louis; and Mr. Bimson himself.

The names of other leading businessmen, industrialists, and bank executives who will speak or serve as panelists for the conference are expected to be made public shortly.

The Instalment Credit Conference is aimed at providing bankers with an opportunity to study the economic factors and prospects which will affect their instalment lending operations in the months ahead. With instalment credit very much in the spotlight in economic discussions currently, the 1956 conference is expected to attract even more interest than usual.

The formal addresses will provide the economic background against which the bankers will exchange ideas on instalment credit operations and policies by means of panel discussions and "bull sessions." These latter are small discussion groups, numbering not over 100 bankers, held simultaneously for the purpose of informal discussion.

## Overavailability of Funds a "Danger" Says Boushall

"The greatest danger we face (in instalment credit) is an overavailability of money for goods and services beyond their current production, which historically inflates the price structure," Thomas C. Boushall, president of The Bank of Virginia, Richmond, told the annual meeting of the bank's stockholders. "Voluntary restraint by the banks and all credit-granting agencies can help hold this unhappy force in leash," he said.

"Should this voluntary effort at self-preservation not develop and hold the economy to sound, safe level of growth of around 3% to 4% over 1955, it is obvious that the Federal Government will take further restrictive and restraining steps," Mr. Boushall declared.

## To Buy or Not to Buy

Whether or not to buy a new car in 1956 will be important not only to the family but to the entire economy during the year ahead, says a University of Illinois economist.

Automobile financing last year accounted for 75% of the \$6-billion increase which brought consumer debt to a record high for 1955, says Prof. Marvin Frankel of the University's Bureau of Economic and Business Research.

During the year, many possible purchasers of automobiles will have to decide whether to go further into debt for this purpose; some will find they have reached the limit of their borrowing.

Although in the past the sale of six million cars has been considered a good year in the automobile business, a drop to this figure from the 1955 high of close to 8,000,000 would eliminate net borrowing—the excess of borrowing beyond repayments. The economy would then lose the stimulus of this purchasing power.

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Any such setback to business would not be limited to the auto industry, Prof. Frankel points out. Repercussions would be felt by all those supplying it with either goods or services.

At present income levels, families are adding to their liquid assets more than enough to cover borrowing, and household finances are not in danger, Prof. Frankel declares. A drop in income and employment, however, could change the picture, he asserts.

## Instalment Credit Called Investment, Not Saving

Consumer credit, or "buying on time," is an essential part of our modern economy, but, like all good things, it can be carried to extremes, according to James Muir, chairman and president of The Royal Bank of Canada, in an address to the 87th annual meeting of the bank's shareholders.

Says Mr. Muir:

"For the individual, to live in constant heavy debt is to live in bondage; and the burden of debt is usually the greatest for those who can afford it least: viz., those who need or are attracted by no downpayment offers. For the economy as a whole, consumer credit results in the production and sale of durable goods (a form of long-term investment by the consumer) without at the same time a corresponding act of saving.

"There need be no harm in this provided the consumer loan is itself financed out of saving—the consumer then borrows in order to spread his own saving over time. But if a great rise in consumer loans is financed through bank credit expansion we have an expansion not of short-term. self-liquidating credit but a long-term loan paid back only over a long period, and a consequent expansion of the money supply."

## News on Savings

Items and Comment from Our Savings and Mortgage Division and Other Sources

## Rains Speaks at Statler

ALBERT RAINS, Representative from Alabama, chairman of the Subcommittee on Housing of the Banking and Currency Committee of the House of Representatives, will be a speaker at the annual Savings and Mortgage Conference of the American Bankers Association in New York City on Wednesday afternoon, March 7, according to Earle A. Welch, president of the Division, and treasurer of the Meredith Village (N. H.) Savings Bank. Mr. Rains' subject will be "The Role of Government in Housing and Real Estate Finance."

Congressman Rains recently completed an extensive series of hearings on the housing situation conducted in various cities throughout the country.

The conference will be held at the Hotel Statler in New York, on March 5, 6, and 7.

## School Savings Forum

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The program:

## "Round Table" Session

Monday, March 5, 1956, 1:30-3 P.M. "School Savings Installation and Operation." Dallas Room. Discussion leaders: George E. Levine, vicepresident, Providence (R. I.) Institution for Savings, and Joseph E. Enright, vice-president and cashier, Valley Stream (N. Y.) National Bank and Trust Company.

"School Savings Promotion." Washington Room. Discussion leaders: Jean M. Turano, assistant to the president, Trenton (N. J.) Saving Fund Society; and Herbert G. Wenzel, assistant vice-president, County Bank and Trust Company, Paterson, N. J.



H. H. Pierce, Jr.

Millicent Trichler





George E. Levine

Jean M. Turano

## **General Forum Session**

Keystone Room, 4 P.M.

Presiding, Millicent A. Trichler, chairman, Committee on School Savings Banking, Savings and Mortgage Division, American Bankers Association; assistant secretary, Dollar Savings Bank, New York, N. Y.

Reports from "Round Table" discussion leaders.

Report on school savings banking activities in the high school, from a study made by members of the Committee on School Savings Banking: William A. Blossom, public relations officer, Springfield (Mass.) Institution for Savings; and Robert McCarter, assistant secretary, Middletown (Conn.) Savings Bank. Open forum.

Panel discussion participants: The Honorable Henry H. Pierce, Jr., Bank Commissioner for the State of Connecticut, Hartford; Frederick C. Ober, president, Fitchburg (Mass.) Savings Bank; and Gertrude A. Golden, member, Board of Public Education, School District of Philadelphia. Open forum.

## **Examination of Exhibits**

East Room, 6-7:15 P.M.

Exhibits arranged under supervision of Dorothy T. Condron, assistant secretary, Auburn (N. Y.) Savings Bank.

### Dinner

Grand Ballroom, 7:15 P.M.

"Dollars to Doughnuts" by The Rev. Murray A. Cayley, office of the chaplain, Rochester (N. Y.) Institute of Technology.

## A.B.A. Committee Studies Account Characteristics

THE study of savings account characteristics, activity, and trends is of increasing importance to banks in this period of growing competition, according to the Committee on Savings Management and Operations of the Savings and Mortgage Division of the American Bankers Association. The Committee in a recent meeting stressed the need of banks for accurate information to help determine the method and the amount of interest that can be paid to thrift depositors. During its session at the Association's headquarters in New York City, the Committee reviewed its savings account analysis program which it has encouraged banks to use, and discussed ways to increase its usefulness.

In the consideration of split-rate possibilities or some alternate means for paying interest on deposits based upon the stability of the accounts as an aid in encouraging true thrift, an analysis becomes especially important, the Committee feels. The number and amount of deposit and withdrawal transactions, when related to the size of accounts and how long the funds have been on deposit in the bank, will aid materially. Through a planned analysis program, it is possible for bank management to determine the aggregate interest which would have been paid if a split-rate had been in effect during the period analyzed, in comparison with the actual results under the method which may be in force, and the benefits for the bank and the depositor which might result if a split-rate policy were adopted.

Other points discussed were the age of accounts and the age of depositors, which, it is believed, will be important in an analysis by disclosing information upon which to base future action.

Studies now being made by the Federal Reserve System, relating to liquid asset holdings within age groups and within occupational groups, will be reviewed by the Committee to determine use of the information. Among possibilities are the usefulness of data in determining the rate payable on savings accounts, the split-rate possibilities, and other operational and administrative details.

The mutual savings banks are currently studying how best they can maintain their position in the thrift field, reviewing services presently provided from the standpoint of supplying additional services, and developing a program to carry out recommendations resulting from the two previous points.

Efforts will be made by the A.B.A. Committee to cooperate with and complement the work being done on behalf of savings banks by other groups.

## Relation of Savings to Economic Development

Savings—the amount of resources not currently consumed by any nation, but set aside for future use—may be less closely associated with the level of economic development than has been hitherto believed, according to studies of Simon Kuznets in Capital Formation and Economic

Growth, a report issued by the National Bureau of Economic Research.\*

Dr. Simon Kuznets of The Johns Hopkins University, whose work made possible the first accurate measurement of this nation's income, reports that there has been a downward drift of the proportion of national income saved in a number of developed countries.

Dr. Kuznets' studies of nine countries over a long period of time are part of a report of a conference, at which leading economists attempted to isolate some of the conditions that favor economic growth. The conference was sponsored by the Universities-National Bureau Committee for Economic Research, a group representing 28 leading universities as well as the research staff of the National Bureau. The report was published for the National Bureau by Princeton University Press.

\*261 Madison Ave., New York 16, N. Y.

## Savings Life Insurance Up

Sales of over-the-counter life insurance by mutual savings banks topped \$68,000,000 during 1955, bringing the total amount in force as of January 1, 1956, to a new record total of \$856,000,000, according to the National Association of Mutual Savings Banks. The number of policies increased by 36,117 to a total of 688,990 and the average size of new policies issued during 1955 was \$1,545. This low-cost form

Two good examples of the A.B.A. Advertising Department's savings ads. Left from Kit No. 1 (p. 84, Dec. BANKING) and right Kit No. 2 (p. 86, Jan. BANKING)





## Comparative Growth in Savings

Volume of savings deposits in banks at year end (in billions)

	Com-	Deposits Mutual Savings Banks	Total Savings Deposits in Banks
1925	\$16.6	\$ 7.2	<b>\$23.</b> 8
1930	19.0	9.4	28.4 °
1935	13.2	10.0	23.2
1940	15.8	10.7	26.5
1945	30.1	15.4	45.5
1950	36.3	20.0	<b>56.</b> 3
1955 (e)	48.5	28.1	76.6
(e) Estimat	e.	on and Ma	wtmana Cta

(e) Estimate. Source—A.B.A. Savings and Mortgage Statistics.

of insurance protection is sold by 168 savings banks in Massachusetts, 71 in New York, and 40 in Connecticut.

## Ratio of Savings to Mortgage Investments

THE postwar years have resulted in a continuous placement of savings funds in mortgages for investment. From 1940 to 1945 the volume of mortgage loans in banks continually declined, with restrictions placed on new home construction to divert needed materials to the war effort. In 1945 the ratio of mortgages to savings in commercial banks was 16%, and in mutuals 28%. In 1950 the ratio had increased to 38% and 40%, respectively. At the end of 1955 a total of 43% of time deposits in commercial banks was invested in mortgages and 61% for mutual savings banks.

## Instalment Credit vs. Savings

A TENDENCY in 1955 for people to buy before they save, rather than saving in order to buy, is evidenced by the rapid growth of consumer credit loans during the year.

Instalment loans reached a peak of \$27-billion last year, up \$4.5-billion. Financing automobile purchases accounted for a large portion of the increase, and 72% of cars sold were on an instalment payment basis. Consumer credit loans increased \$250,000,000 in 1954 and \$3.5-billion in 1953. They have increased \$24.5-billion since 1945.

## MARCH 5-7, 1956 Statler Hotel, New York

How to Meet Competition for Savings and Mortgages . . . .

## Annual Savings and Mortgage Conference and National School Savings Forum

Sponsored by A.B.A. Savings and Mortgage Division

## PROGRAM

TAXATION: The effect of taxation on competition for savings needs clarification. Perhaps emotion has influenced judgment due to lack of comprehensive and factual information on this subject. Purely factual data will be presented which will probably be illuminating to both commercial and savings bankers.

COMPETITION: The intense competition among savings banks, savings and loan associations, and the savings de-partments of commercial banks has acutely changed policies in all three types of institutions with results which have not been generally recognized.

EXECUTIVE DEVELOPMENT: The dire shortage men and women to assume executive positions in banks is recognized. An entire session will be devoted to the building of a program in small as well as large banks to: (1) hire officer material and (2) develop them for future responsibility.

MORTGAGE LENDING: (1) The conventional loan has been neglected as the popularity of insured and guaranteed mortgages increased. The advantages and characteristics of the conventional loan in financing real estate transactions will be reviewed. (2) FHA and GI loans will be discussed with respect to their position and influence in local and nationwide mortgage lending. (3) The ence in local and nationwide mortgage lending. (3) The effect of credit restraint policies on mortgage lending will be reviewed, and the complex problems of market discounts, mortgage loan warehousing, and financing repairs and improvements with "open-end" contracts. (4) The views of a member of Congress on the place and responsibility of Government in influencing housing and home financing activity will be presented. financing activity will be presented.

ECONOMICS: There has never been a time when the trends in the savings and mortgage picture were more important to the general economics, and vice versa, than at

(Savings activities will be emphasized on Tuesday, March 6, while mortgage financing will be covered on Wednesday, March 7.)

EXHIBITS: Educational displays of building and modernization materials and bank operating equipment will be featured throughout the conference.

NATIONAL SCHOOL SAVINGS FORUM AND DINNER: Thrift education and the school savings banking activity as a cooperative effort of the banker and the educator will we stressed. Developments in the field of operation and promotion will be featured in several bank exhibits. The forum will be held at 4 P.M. Monday, March 5, in the Keystone Room, followed by dinner in the Grand Ballroom at 7:15 P.M. Preceding the general session, round table sessions on school savings installation, operation, and promotion will be held from 1:30 P.M. to 3 P.M. in the Dallas and Washington Rooms. (Registration for the conference is not necessary for attendance at the School Savings Forum. However, dinner reservations should be made in advance, at \$7.50 per person.)



Banks may use the coupon form on this page for advance registration. Upon receipt of this form hotel reservation cards will be supplied.

A.B.A.	ADI	ANCE	REGISTI	RATION

A.B.A. ADVANCE	REGISTRATION
Savings and Mortgage Division American Bankers Association 12 East 36th Street, New York 16, N. Y.	Date
Our bank will be represented by the foll Mortgage Conference, Statler Hotel, New	lowing at the A.B.A. Annual Savings and w York, N. Y., March 6-7, 1956.
Name	Title
Name	Title
(Please make —— reservations for the OUR CHECK FOR \$—— IS ENC	LOSED. (Make check payable to A.B.A.) quest, to those unable to attend)
City	

## News for Mortgage Credit Men

Items and Comment from Our Savings and Mortgage Division and Other Sources

## Housing Starts in 1955

THE U. S. Labor Department estimates that 1,300,000 units of new private housing were built in 1955 or were in the process of completion at the year's end. All sections of the country participated in this construction volume. At the year-end there were indications that the rate of construction had somewhat eased due to credit restraints. Otherwise 1955 might have exceeded the all-time 1950 record of 1,396,000. The year 1956 started off with 75,000 new permanent nonfarm housing starts in January. This compares with 87,-600 starts in January 1955.

On the basis of the January 1956 starts, the seasonally adjusted rate of private starts is 1,187,000.

## Housing Legislation

Housing was emphasized in the President's State of the Union Message as an important area of human need. It may be that his endorsements for public housing and changes in the National Housing Act foreshadow coming legislation.

Specifically the President urges legislation to permit the construction of 35,000 units of public housing during each of the next two years, and will offer a plan to amend the National Housing Act permitting FHA insurance of loans for housing

of older people. The President also recommends an extension of the FHA Title I program; continuation of FHA military housing; an increase in the authorization for urban planning grants; continuation of the special assistance authority of FNMA; and continued support for the college housing program in a way that will not discourage private capital from participating.

## **HHFA** Housing for the Aged

A HOUSING program for aged people is being readied by HHFA Administrator Albert Cole, according to reports. The bill would provide FHA mortgage insurance for a 40-year period at 4½% interest to finance rental projets for occupancy by elderly people, but which are owned by responsible interested organizations devoted to assistance.

## **Urban Renewal Action**

Government agencies strive for municipal action in the field of urban renewal, slum clearance, and prevention of neighborhood blight. Cities have been urged by Alfred M. Cole, Administrator of HHFA, to take steps for urban renewal programs under the Government's FHA Housing Rehabilitation Program. He stated that municipal bankruptcy faces the city that fails to move promptly.

## Mortgage Loans Held by Banks

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(in millions)

	Commercial Banks	% of Savings Accounts	Mutual Savings Banks	% of Savings Accounts
1935	\$3,436	26.1	\$5,183	52.5
1940	4.423	28.0	4,959	46.5
1945	4.772	15.8	4.279	27.8
1950	13,663	37.6	8.041	40.1
1955	(p) 20.700	44.8	17.300	61.5
	Preliminary		3 35	

Source: ABA, Savings and Mortgage Statistics.

## Prefabs in 1956

A RECORD production of 120,000 factory-made homes is anticipated in 1956 by the Prefabricated Home Manufacturers' Institute.

This prediction is based on a number of premises, regardless of the fact that over-all nonfarm housing starts may decline, including producers' announced plans for the year, growing acceptance by builders and home buyers, and new designs and techniques which enter the new prefabricated house.

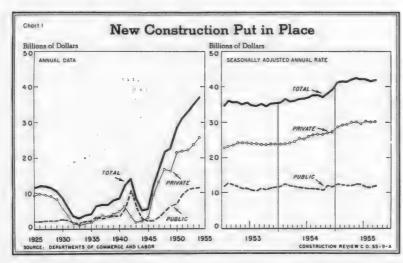
## **Construction Volume**

THE Associated General Contractors of America are prophesying \$60-billion for new construction and repair work in 1956. Predictions are based upon a continued high level of economic activity and favorable conditions in labor and industry.

Spending for new construction in 1955 totaled \$42½-billion, establishing an alltime high for the ninth successive year, according to preliminary estimates released by the U. S. Departments of Commerce and Labor. Outlays set new records in 1955 for each month.

The total dollar value of new work put in place last year was 12% above the 1954 figure, and, even after adjustment for price changes, represented the highest volume on record. Private construction expenditures rose 17% from 1954 to \$30¼-billion in 1955, and public outlays edged upward by 2% to \$12-billion.

Increased residential building was the largest single factor in achieving last year's record rate, accounting



for two-thirds of the total dollar gain from 1954. On a seasonally adjusted basis, 1955 expenditures for new private residential building advanced almost steadily until midsummer, reflecting the unusually large number of dwelling units started late in 1954 and still under way in 1955. Private residential building activity for 1955 as a whole reached a new peak of \$16.6-billion, topping the previous high of 1954 by nearly a fourth.

Other types of construction which achieved an unprecedented dollar volume in 1955 were shopping and service establishments, churches, private industrial plants, office buildings, public schools, sewer and water lines, highways, and petroleum pipelines.

Expenditures also were greater in 1955 than in 1954 for private hospitals, social and recreational buildings, and military facilities. Outlays for military facilities almost equalled the postwar high of 1952.

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## FHA Has Record Year

More people applied for FHA insured mortgage loans in 1955 than in any previous year. The estimated total of applications for FHA home mortgage insurance rose to the all time high of more than 615,000.

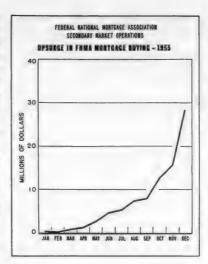
Agency officials estimate that FHA insured loan applications to cover existing property will exceed 310,000, representing an increase.

## Veterans' Loans

The year 1955 was the greatest in the 11-year history of the GI home loan program. It is estimated that 650,000 World War II and Korean veterans received GI home loans totaling over \$7-billion in 1955. This represents an increase of 58% over the 1954 volume of 411,000 VA home loans, which totaled \$4.2-billion.

## Relaxing Mortgage Credit

THE Federal Home Loan Bank Board has announced stand-by credits for savings and loan associations, relaxing its regulations of September 1955 which tied in credit expansion with savings growth. Under the revised terms, associations can make new mortgage commitments more freely for future lending. Stand-by



credit gives a member association the privilege of borrowing from the Home Loan Bank an amount equivalent to 5% of its aggregate redeemable shares, provided total advances do not exceed 10% of share accounts.

## FNMA Increases Buying

THE Federal National Mortgage Association has greatly increased its buying operations in recent weeks. Purchases are being made at a rate equivalent to \$350,000,000 a year.

To participate in the secondary mortgage market through FNMA mortgage, lenders must purchase stock in the Association equivalent to 3% of the value of the mortgages sold. With this increased volume of purchases FNMA will soon have to resort to borrowing through the sale of debentures in order to have funds to meet this volume of purchases.

## Seeks GI Loan Changes

CHAIRMAN TEAGUE of the House Veterans Affairs Committee is proposing to terminate the GI loan program by consolidating it with FHA and all other Government housing activities under one mammoth single housing agency headed by a member of the President's cabinet, with a new title "Secretary of Housing."

Congressman Teague's proposal is intended to replace plans for extending the GI home loan program upon its termination July 25, 1957 for World War II veterans and January 31, 1965 for Korean veterans. To date some 4,000,000 of an estimated 19,600,000 eligible veterans have used their home loan entitlement.

## Mortgage Lending in 1955

THE high volume of mortgage lending continued its upward surge in 1955 to new record high levels. Mortgage loans outstanding reached a total of approximately \$130-billion.

Banks participated heavily in this upward trend. Commercial banks at the year end held approximately \$21-billion in mortgages, while mutuals held \$17.3-billion, or total bank holdings of over \$38-billion.

## Credit in Flood Areas

HHA HAS relaxed its credit restrictions to aid those who have lost their homes in the flooded areas of California and Nevada. A special FHA representative has been sent to the disaster areas and will have headquarters at the FHA district office in San Francisco. Plans are being made to make available sound long-range private financing for permanent homes to replace those which were lost. A special provision of the National Housing Act permits disaster loans up to \$7,000 with no downpayments and 30-year terms. FHA is giving sympathetic consideration to flood victims unable to meet FHA mortgage payments, giving more time to repay loans where necessary and feasible.

## A Bank's Flood Loans

FINANCIAL assistance to victims of the northern and central California floods whose homes and businesses were damaged is being made available by Anglo California National Bank.

The bank is announcing through notices in flood area newspapers and on radio that it will extend property repair loans that require no downpayment and no endorsers or collateral. Applicants for such loans need not be depositors.

Anglo will consider conveniently repayable loans for almost every kind of repair or reconstruction work on stores, buildings, and homes. Outside work, such as masonry, paving, grading and landscaping, is also considered applicable.

## **News for Trustmen**

Items and Comment from Our Trust Division and Other Sources

## Name Luncheon Speaker, Panels, for Trust Meet

Sir Hugh Stott Taylor, dean of the Graduate School of Princeton University and a leading chemist and atomic scientist, will be the speaker for the luncheon meeting at the 37th Mid-Winter Trust Conference of the American Bankers Association on February 8, according to Richard P. Chapman, president of the A.B.A.'s Trust Division and of The Merchants National Bank of Boston. The conference will be held in The Waldorf-Astoria in New York City, February 6, 7, and 8.

The host for the luncheon, which is an annual affair at the conference, will be the New York Clearing House. About 2,000 trust executives from banks throughout the country are expected to attend. Sir Hugh will speak on the subject, "The Interaction of Science and Finance."

Sir Hugh, who has been associated with Princeton since 1914, was knighted by Queen Elizabeth for his services to Great Britain during two world wars.

Three additional speakers to the regular conference program were also announced by Mr. Chapman. Ronald M. Kimball, vice-president, Continental Illinois National Bank and Trust Company, Chicago, will address the session on "Corporate Trusts" on Monday afternoon, Febuary 6, on the subject "Administration of Corporate Trusts"; Henry D. M. Sherrerd, vice-president, Fidelity-Philadelphia Trust Company, will speak to the Tuesday morning session on "The Technique of Renegotiating Trust Fees"; and Frederick W. Atherton of Loomis Sayles & Co., Inc., New York City, will address the Tuesday afternoon session.

In addition, the personnel for the various panel discussions at the conference was announced by Mr. Chapman. The panel on the problems of corporate trust departments on Monday afternoon will be made up of T. J. Moroney, vice-president and trust officer, Republic National Bank of Dallas; Sanford L. Smith, vice-president, City Bank Farmers Trust

Company, New York City; Joseph E. Williams, president, New York Stock Transfer Association, and vice-president, The Chase Manhattan Bank, New York City; and Mr. Kimball; as well as the leader, Donald A. Hazlett, vice-president, Mellon National Bank and Trust Company, Pittsburgh, whose name was released previously.

The panel on new business through advertising on Tuesday morning, to be led by Earl S. MacNeill, vice-president, Irving Trust Company, New York City, will include F. Miles Flint, trust officer, Citizens National Trust and Savings Bank, Los Angeles, and Harold W. Lewis, vice-president, The First National Bank of Chicago.

## Schedule Two Regionals

Two regional trust conferences—one in Salt Lake City, Utah, and the other in Chicago, Illinois—will be held during 1956 under the auspices of the Trust Division of the American Bankers Association, according to Richard P. Chapman, president of the Division.

The 30th Western Regional Trust Conference will be held in the Hotel Utah in Salt Lake City on August 23 and 24, 1956. The hosts for this conference will be the Trust Division of the Utah Bankers Association. The states represented at the conference will be Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

The 25th Mid-Continent Trust Conference will be held in the Drake Hotel, Chicago, on November 15 and 16, with the Corporate Fiduciaries Association of Chicago acting as hosts. This conference will bring together bankers from Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Texas, and Wisconsin.

## Plans Gift Trust

The board of directors of The Citizens & Southern National Bank, Georgia's largest, has recommended stockholder approval of a trust fund as a way of making sure that the bank can continue to give to civic, charitable, and educational activities in bad years as well as good. The plan is for the bank to put up to 3% of its earnings before taxes into the fund.

## Trustman Honored

George Waverly Briggs, a leading figure in trust work for more than three decades in the Southwest, has been presented a formal tribute by the trust section, Texas Bankers Association.

Mr. Briggs organized the trust department of First National Bank in Dallas and headed it until his formal retirement last December 31.

In his 35 years with First National, Mr. Briggs gained a national reputation in trust work. The tribute lauds his accomplishments and credits him with playing the major role in achieving enactment of the Texas Trust Act and Probate Code.

Mr. Briggs is currently honorary vice-president and senior trust officer of First National.

(TURN TO PAGE 104)

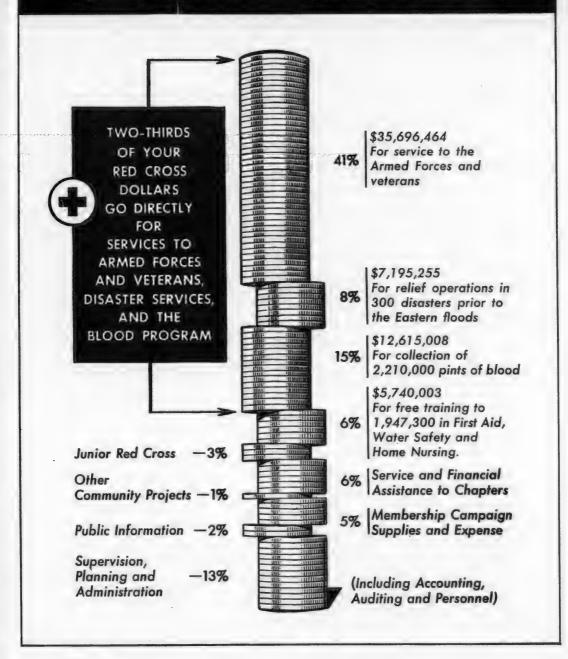
"Get rid of that paperweight, Joe! You ought to know better!"



## HOW YOUR RED CROSS DOLLARS ARE SPENT

BY THE NATIONAL RED CROSS AND ITS 3,717 CHAPTERS

Expenditures for year July 1, 1954-June 30, 1955: \$87,539,503



An annual report showing in detail how your dollars are spent is available on request to

THE AMERICAN NATIONAL RED CROSS WASHINGTON, D. C.

## Tax Exemption for Group Trust

Manufacturers Trust Company, New York, has announced receipt from the United States Treasury Department of a new ruling approving the eligibility of its Group Trust Program—a commingled retirement fund—for exemption from Federal income taxes under Section 501 (a) of the United States Internal Revenue Code.

Under the new ruling, which resulted from an application by the bank, the Treasury Department approved such a fund as part of the pension or profit-sharing plan of an employer for the exclusive benefit

of his employees under Section 401(a), and ruled that the group trust is not subject to income tax.

Commingled funds, now that they have the Treasury Department's approval, should meet a long-felt need of employers concerned with the investment of funds in employee-benefit plans, the bank's announcement said.

## CALENDAR—1956

Feb. 8 The Graduate School of Banki ulty Conference and 20th sary Reunion, Sheraton-Ast N. Y. C. Feb. 6-8 Midwinter Trust Conf., Waldor N. Y. C. Mar. 5 Nat'l School Svgs. Forum, Stat N. Y. C. Mar. 5-7 Savings & Mortgage Conf., Stat N. Y. C. Mar. 15-16 Agricultural Commission Anning, St. Charles Hotel, Nev	Anniver- cor Hotel,  ff-Astoria, tler Hotel, tler Hotel, ual Meet- w Orleans son Hotel,	June June June June June June June June	8- 9 10-12	Springs, Va. Massachusetts, New Ocean House, Swampscott Washington, Olympic Hotel, Seattle New Hampshire,* Wentworth-by-the- Sea, Portsmouth Savings Banks Assn. of N. H., Went- worth-by-the-Sea, Portsmouth, N. H. Washington, Olympic Hotel, Seattle
N. Y. C.  Feb. 6-8 Midwinter Trust Conf., Waldor N. Y. C. Mar. 5 Nat'l School Svgs. Forum, Stat N. Y. C. Mar. 5-7 Savings & Mortgage Conf., Stat N. Y. C. Mar. 15-16 Agricultural Commission Ann	rf-Astoria, tler Hotel, tler Hotel, ual Meet- w Orleans son Hotel,	June June June June June	8- 9 8- 9 10-12	Washington, Olympic Hotel, Seattle New Hampshire,* Wentworth-by-the- Sea, Portsmouth Savings Banks Assn. of N. H., Went- worth-by-the-Sea, Portsmouth, N. H.
Feb. 6-8 Midwinter Trust Conf., Waldor N. Y. C. Mar. 5 Nat'l School Svgs. Forum, Stat N. Y. C. Mar. 5-7 Savings & Mortgage Conf., Stat N. Y. C. Mar. 15-16 Agricultural Commission Ann	rf-Astoria, tler Hotel, tler Hotel, ual Meet- w Orleans son Hotel,	June June June June June	8- 9 8- 9 10-12	New Hampshire,* Wentworth-by-the- Sea, Portsmouth Savings Banks Assn. of N. H., Went- worth-by-the-Sea, Portsmouth, N. H.
Mar. 5 Nat'l School Svgs. Forum, Stat N. Y. C. Mar. 5-7 Savings & Mortgage Conf., Stat N. Y. C. Mar. 15-16 Agricultural Commission Ann	tler Hotel,  tler Hotel,  ual Meet- w Orleans son Hotel,	June June June	8- 9 10-12	Savings Banks Assn. of N. H., Went- worth-by-the-Sea, Portsmouth, N. H.
Mar. 5-7 Savings & Mortgage Conf., Star N. Y. C. Mar. 15-16 Agricultural Commission Ann	ual Meet- w Orleans son Hotel,	June June	10-12	
Mar. 15-16 Agricultural Commission Ann	ual Meet- w Orleans son Hotel,	June		Idaho, The Lodge, Sun Valley
ing, St. Charles Hotel, Nev	son Hotel,	o usec	11-13 13-15	Minnesota, Nicollet Hotel, Minneapolis New York, Essex & Sussex, and Mon-
Mar. 19-21 Instalment Credit Conf., Jeffers		June	14-16	mouth Hotels, Spring Lake, N. J. Wyoming, Jackson Lake Lodge, Moran
St. Louis, Mo.		June	15-16	Vermont, Equinox House, Manchester
Apr. 22-24 Executive Council, Spring Mee		June	17-19	Oregon, Pilot Butte Inn, Bend
Greenbrier, White Sulphur		June	18-19	Utah, Jackson Lake Lodge, Moran, Wyo.
W. Va.	Adalahan	June	18-20	Wisconsin, Schroeder Hotel, Milwaukee
June 4- 8 American Institute of Banking, Hotel, Dallas	- '	June	21-23	Montana, Many Glacier Hotel, Glacier National Park
June 11-23 The Graduate School of Banking		June	21-23	Virginia, The Homestead, Hot Springs
University, New Brunswick, July 13-17 Central States Conference,	Colorado	June	21-24	Michigan, Grand Hotel, Mackinac Island
Hotel, Glenwood Springs, Co Oct. 21-24 82nd Annual Convention, Los	olo.	June	22-23	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
occ. 21-24 ozna Annuar Convention, 100 z	ingeres	June	22-24	Maine, Poland Spring House, Poland Spring
State Associations		July	13-17	Central States Conf., Colorado Hotel, Glenwood Springs, Colo.
Apr. 10-12 Georgia, General Oglethorpe, Apr. 12-14 Florida, Hollywood Beach Hot		July	19-21	West Virginia, The Greenbrier Hotel, White Sulphur Springs
Apr. 20-21 Nevada, Thunderbird Hotel, I	as Vegas	Aug.	19-24	PBA Summer School, Penna. State Univ., University, Pa.
Apr. 22-24 Louisiana, Roosevelt Hotel, New May 2-5 Pennsylvania, Chalfonte-Hadd		Sept.	10-13	Vermont-N. H. School of Banking, Univ. of Vt., Burlington
Atlantic City, N. J.	G'4	Sept.	20-22	Savings Banks Association of Maine,
May 3-4 Oklahoma, Skirvin Hotel, Oklah May 3-5 South Carolina, Poinsett Hote				Wentworth - by - the - Sea, Portsmouth, N. H.
May 8-10 Ohio 7, Deshler-Hilton Hotel,	Columbus	Sept.	20-22	Savings Banks Association of Massachu-
May 8-10 Ohio 7, Deshler-Hilton Hotel, May 8-9 Tennessee, Hotel Patten, Chatte				setts. Mount Washington Hotel, Bretton Woods, N. H.
May 9-11 Kansas, Topeka		Sept.	21-22	Savings Banks Association of New
May 10 Delaware, Du Pont Hotel, Wiln May 11-15 Maryland, Claridge Hotel, Atla	mington	Dept.	21-44	Hampshire, Fall Meeting, Sunset Hill House, Sugar Hill. N. H.
N. J. May 13-15 Missouri, Jefferson Hotel, St. I		Oct.	5- 6	Connecticut-Mutual Savings. Wentworth- by-the-Sea, Portsmouth, N. H.
May 13-15 Texas, Statler-Hilton, Dallas		Oct.	11-12	Nebraska, Fontenelle Hotel, Omaha
May 16-17 Indiana, Claypool Hotel, Indian	napolis (	Oct.		New Hampshire, Fall Meeting, Moun-
May 18-19 New Mexico, Hilton Hotel, All	-1 TYY 111			tain View House, Whitefield
May 18-19 North Dakota, Plainsman Hotel	ei, willis-	Oct.	28-31	Iowa, Fort Des Moines, Des Moines  * Joint meeting
May 19-26 North Carolina, Cruise to H Nassau, SS Queen of Bermu	da			Other Organizations
May 20-22 California, Coronado Hotel, Co	ronado			
May 21-23 Arkansas, Arlington Hotel, Ho May 21-22 Colorado, Broadmoor Hotel,		Mar.	26-28	Independent Bankers Assn., Jung Hotel, New Orleans, La.
Springs May 21-23 Mississippi, Buena Vista Hotel,	Biloxi	May	17-19	American Safe Deposit Assn., Statler Hotel, Hartford, Conn.
May 23-25 New Jersey, Chalfonte-Haddon lantic City	Hall, At-	Aug.	5-17	School of Consumer Banking, Univ. of Va., Charlottesville
May 24-25 Alabama, Jefferson Davis and hotels, Montgomery	d Whitley	Sept.	17-20	National Association of Bank Auditors and Comptrollers, The Shoreham Hotel,
May 31- Alaska, Elks Lodge, Anchorage	9			Washington, D. C.
June 2 June 1-2 Connecticut, Equinox House, Ma	6	Sept.	17-21	National Association of Bank Women, Minneapolis
Vt.  June 4- 6 Illinois, Palmer House, Chicago		Oct.	7-11	Financial Public Relations Association, Dallas, Texas

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## New Issues · 19

Purchased and Offered by Halsey, Stuart & Co. Inc. alone or with associates\*

Amount of Issue	Tax-Exempt	Amount of Issue	Corporate	Underwriting Interest
\$	ALLEGHENY COUNTY INST. DIST., PA. 21/4% Bonds, Due 1956-85 BIRMINGHAM, ALA.	\$280,000,000	THE BALTIMORE AND OHIO RAILROAD COMPANY† First Cons Mtge 3% % Bonds due 1970, 4% Bonds due 1980, 4¼ % Bonds due 1995	
	Var. Rates Bonds, Due 1957-84 BOSTON, MASS. Var. Rates Notes, Due 1955-56	12,000,000	CENTRAL MAINE POWER COMPANY First & Gen Mtge Bonds, Series V 3\% due 1985	3,650,000
30,000,000	(3 issues) & Bonds, Due 1956-75 CALIFORNIA, STATE OF†	8,400,000	CHESAPEAKE AND OHIO RAILWAY EQUIPMENT TRUST OF 1955 3% Certificates, Due 1956-70	6,600,000
4,500,000	Var. Rates, Veterans' Bonds, Due 1957-76 CAMBRIDGE, MASS. 1.90% Bonds, Due 1956-75	7,500,000	CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD EQUIPMENT TRUST, SERIES UU	
12,500,000	CHICAGO BOARD OF EDUCATION, ILL. 21/4% Bonds, Due 1958-75	40,000,000	THE COLUMBIA GAS SYSTEM, INC. 31/4% Debentures, Series E Due 1980	
	CHICAGO, ILL.† 1½% & 2% Bonds, Due 1956-75	70,000,000	CONSOLIDATED EDISON COMPANY OF NEW YORK,	
24,000,000	CHICAGO REGIONAL PORT DISTRICT † 4% Rev. Bonds, Ser. of 1955, Due 1995	7,000,000	INC.† First & Ref Mtge Bonds 31/4% Series K, due 1985.  DALLAS POWER & LIGHT COMPANY	6,975,000
	COOK COUNTY, ILL.† 21/658 Expressway Bonds, Due 1956-75	60,000,000	3¼% Sinking Fund Debentures, due 1980	5,500,000
21,000,000	DADE COUNTY, FLA.† 31/8% Port Authority Rev. Bonds. Due 1979	30,000,000	Gen & Ref Mtge Bonds, Ser. O, 3¼ % Due 1980 DETROIT STEEL CORPORATION	6,000,000
11,777,000	DELAWARE, STATE OF† 1.90% & 2.20% Bonds, Due 1956-75 (2 issues)		First Mtge SF 4%% Bonds, due 1970	3,850,000
5,400,000	DENVER, COLO., CITY AND COUNTY OF† 5% & 2% Bonds, Due 1963-72		First & Ref Mtge 31/8 Bonds, Ser. G, Due 1980	5,300,000
8,000,000	DUVAL COUNTY, FLA.† Var. Rates Certificates, Due 1956-70	, ,	KANSAS GAS AND ELECTRIC COMPANY First Mtge Bonds, 3% Series due 1985	
5,025,000	FAIRFIELD, CONN. 2.10% Bonds, Due 1956-75	5,550,000	MISSOURI PACIFIC RAILROAD EQUIPMENT TRUSTS SERIES A & C, 31/4 % & 31/2 % Certificates, Due 1956-71.	4,125,000
14,500,000	GEORGIA RURAL ROADS AUTHORITY† 21/18 & 2.70% Rev. Bonds, Due 1957-71	35,000,000	MONTREAL, THE CITY OF (CANADA)† Var. Rates, U. S. Debentures, Due 1956-74	2,957,500
7,500,000	HAWAII, TERRITORY OF† 2½% Bonds, Due 1958-75	7,000,000	NATIONAL CONTAINER CORPORATION† 4½% Fifteen Yr SF Debentures, Series due 1970	3,500,000
4,000,000	HOLYOKE, MASS. 2.20% Bonds, Due 1956-85	30,000,000	NEW ENGLAND TELEPHONE AND TELEGRAPH COMPANY 36 Year 31/4 % Debentures, Due 1991	13,000,000
12,490,000	HOUSTON, TEX.† 2½% Bonds, Due 1956-80	25,000,000	NEW JERSEY BELL TELEPHONE COMPANY 40 Year 3%% Debentures, Due 1995	6,700,000
4,766,000	JOLIET SCHOOL DISTRICT No. 86, ILL. Var. Rates Bonds, Due 1956-74	7,500,000	NEW YORK CENTRAL RAILROAD EQUIPMENT TRUST OF 1955 3% % Certificates, Due 1956-70	2,250,000
45,000,000	LOS ANGELES SCHOOL DISTRICTS, CAL. † 2½% Bonds, Due 1956-80 (5 issues)	4,080,000	NEW YORK, CHICAGO AND ST. LOUIS RAILROAD EQUIPMENT TRUST OF 1955 2% % Ctfs, Due 1955-70.	
	LOUISVILLE, KY. 2.40% & 2½% Rev. Bonds, Due 1960-84	7,980,000	NORTHERN PACIFIC RAILWAY EQUIPMENT TRUST	
	METROPOLITAN WATER DISTRICT OF SO. CAL,† 21/4% Bonds, Due 1956-80	10,000,000	OF 1955, 2nd & 3rd Series, 3% Ctfs, Due 1956-70 PACIFIC POWER & LIGHT COMPANY	
7,250,000	MIAMI, FLA.† Var. Rates Bonds, Due 1956-81 (2 issues)	19,500,000	First Mtge Bonds, 3%% Series due 1985	5,500,000
	MIDDLESEX COUNTY SEWERAGE AUTH., N.J. † Var. Rates Rev. Bonds, Due 1962-95		First Mtge Bonds, Series B 4% Due 1980 SOUTHERN BELL TELEPHONE AND TELEGRAPH	2,400,000
	MODESTO SCHOOL DISTRICTS, CAL,† Var. Rates Bonds, Due 1956-80		COMPANY 40 Year 31/4 % Debentures, Due 1995 THE SOUTHERN NEW ENGLAND TELEPHONE	2,650,000
8,879,000	NEW MEXICO, STATE OF 2% & 2½% Rev. Bonds, Due 1956-65		COMPANY 34 Year 31/4 % Debentures, Due 1989	4,350,000
	NEW YORK SCHOOL DISTRICTS Var. Rates Bonds, Due 1955-85 (23 issues)		SOUTHERN PACIFIC COMPANY EQUIPMENT TRUSTS, SER. QQ & RR, 2% % & 3% % Ctfs, Due 1956-70	
	OHIO, STATE OF† Var. Rates, Series B, Rev. Bonds, Due 1956-72 ORLEANS PARISH SCHOOL BOARD, LA.	75,000,000	TENNESSEE GAS TRANSMISSION COMPANY† First Mortgage Pipe Line Bonds, 3% % Ser. due 1976 & 4% Debentures due 1975	3,683,000
	Var. Rates Bonds, Due 1961-95 PORT OF NEW YORK AUTHORITY†	8,500,000	WORCESTER COUNTY ELECTRIC COMPANY First Mtge Bonds, Ser. D, 3\%% due 1985	5,200,000
	2½% Consol Rev. Bonds, 4th Series, Due 1985 PRINCE GEORGE'S COUNTY, BD. OF EDUC., MD.Var. Rates Bonds, Due 1956-75	15,222,000	ADDITIONAL EQUIPMENT TRUST CERTIFICATES and PUBLIC UTILITY BONDS	11,082,000
4,000,000	ST. JOHNS COUNTY, FLA. Var. Rates G.O. & Rev. Bonds, Due 1957-84	Descriptive circulars	or prospectuses, where available, and current quotations will be supplied securities upon request.	ed for any of these
14,000,000	ST. PETERSBURG, FLA.† 3½% Rev. Certificates, Due 1956-77		955 †Issue beaded jointly by Halsey, Stuart & Co. Inc. and others. All other ered alone, by Halsey, Stuart & Co. Inc.	issues were beaded,
8 400 000	CAN DIEGO COUNTY CAL +	от разлажения ода		

## Send for Year-End Bond Survey and Tax Chart

Concise survey of 1955 bond market and outlook for 1956, and comparison chart based upon individual Federal tax rates now in effect-to help you determine the value of tax exemption in your income bracket. Write without obligation for folders KC-56.



HALSEY, STUART & CO. INC.

123 S. LA SALLE STREET, CHICAGO 90 . 35 WALL STREET, NEW YORK 5 AND OTHER PRINCIPAL CITIES

8,400,000 SAN DIEGO COUNTY, CAL.

2% & 21/4% Bonds, Due 1956-75 4,000,000 SHREVEPORT, LA.
Var. Rates Rev. Bonds, Due 1955-74

8,267,000 TACOMA SCHOOL DISTRICT No. 10, WASH. Var. Rates Bonds, Due 1957-75

Var. Rates Bonds, Due 1956-73

120,964,054 ADDITIONAL TAX-EXEMPT BONDS-

15,000,000 WARREN TOWNSHIP, MICH.† Var. Rates Bonds, Due 1958-94

5,152,000 TULSA, OKLA. Var. Rates Bonds, Due 1958-80

4,500,000 TRENTON SCHOOL DISTRICT, MICH.

## **Operating Procedures**

(CONTINUED FROM PAGE 47)

fecting asset or liability accounts is uncovered sooner or later, but an error or manipulation of an entry to an earnings or expense account that is overlooked in the current audit is usually buried for all time.

"The asset control of an accrual system is of particular value in connection with the bank's security portfolio.

"Even Government bonds may vary 5% to 10% in price over a period of years. This variation between the par and book value makes it essential that a par value control be maintained for auditing reasons. Such a control is a basic part of an accrual system.

"Asset control also includes independent verification of the purchase and sale price of securities."

## No Proof Against Fraud

The auditing benefits from an accrual system will vary with the intelligence and diligence used in operating it, Mr. Lyle told the NABACers. "The best of such systems are not positive proof against fraud.

"An accrual system will show the amount of interest the bank should receive if the auditor verifies the interest rates on notes with the loaning officers. An accrual system provides asset control if the auditor verifies independently that the note or security is as represented and if the auditor maintains a principal or par value control."

"An accrual system will show the amount of interest the bank should receive but the auditor must check out interest adjustments and determine their validity. It will show the amount of interest rebate due the customer, but the auditor must verify that the customer actually received it.

### **Test Checks Necessary**

"A wily embezzler will study carefully the auditing methods regularly used and then proceed to build his path in the fringe area just outside the area of audit control. Even the best accrual systems must be supplemented by test checks.

"An accrual system is not an automatic machine that will function of itself when facts and figures are fed into it. The people assigned

## A.B.A. Bank Management Commission Has New Life Insurance Assignment Form

The Bank Management Commission of the American Bankers Association and the Life Office Management Association, representing the life insurance companies, have devised a form that will supply information needed by banks concerning life policies assigned as security for loans.

Previously, each bank has had its own forms for this purpose, and many varieties are in use.

The new form can be obtained from the Commission, imprinted with the bank's name and address at a small additional cost if desired.

"It is hoped that the banks will use this form in the future in requesting information regarding the life insurance policy," says the Commission.

A sample of the form (reproduced below in reduced size) has been sent to each member of the American Bankers Association.

Form No. 16 POND DESIGNEE, BARK MAIN ARRICAN

LIFE INSURANCE ASSIGNMENT QUESTIONNAIRE
(Prepare in triplicate and send two copies to company as assignments are taken)

To		Date	
	INSURANCE COMPART		
Address	Cit)		State
rom	BANK		
Address			State
lease supply the following information regarding your	Policy No.	ispec	10-
0 07	,		and return in stamped envelope enclose
equest authorized by:			The territory of the same of t
TYPE DE PAINT			
	Ву		SARE ASTROPLES SISTATURE
SIGNATURE OF INSURES OR DURER			
ADDRESO			TITLE
I. Premium paid to			
	Semiannually	Quar	erlyMonthly
Amount of prepaid premiums, if any \$			
. Cash value as of	1	(Dis	idends excluded, loans not deducted)
Cash value of accumulated dividends \$			, , , , , , , , , , , , , , , , , , , ,
5. Policy loans (if none, so indicate) \$			
Date of your loan		Rate	%
7. Any existing assignments on record? Yes	No 🗆		70
, , , , , , , , , , , , , , , , , , , ,	_		
If so, to whom?			
If so, to whom?	on has been designated	l as automatic	
3. In the event of premium default, the following optic			
3. In the event of premium default, the following optic			
In the event of premium default, the following optic     Name of present beneficiary if different from origina	al named in policy		
In the event of premium default, the following optic     Name of present beneficiary if different from origina			
8. In the event of premium default, the following optic 9. Name of present beneficiary if different from origina 10. Death settlement basis:  Lump sum  Option  Optio	al named in policy	ribe)	
8. In the event of premium default, the following optic 9. Name of present beneficiary if different from origina 10. Death settlement basis:  Lump sum  Option  Optio	al named in policy	ribe)	
B. In the event of premium default, the following optic Common of present beneficiary if different from origina Common origin	al named in policy  optional mode [] (Descriptional mode [])	ribe)	No []
B. In the event of premium default, the following optic P. Name of present beneficiary if different from origins D. Death settlement basis: Lump sum O  I. Agency or branch office through which premiums are P. Will you send duplicate notice of premiums due to a	al named in policy— ptional mode [ (Desc e currently being paid.	Yes 🗆	No 🗆
B. In the event of premium default, the following optic Name of present beneficiary if different from origins D. Death settlement basis: Lump sum O  I. Agency or branch office through which premiums are D. Will you send duplicate notice of premiums due to a  S. Will you send duplicate receipts for payments to assi	al named in policy—  putional mode [ (Desc  c currently being paid.  assignee?	Yes 🗆 . Yes 🗅	No []
B. In the event of premium default, the following optic Name of present beneficiary if different from origins D. Death settlement basis: Lump sum O  I. Agency or branch office through which premiums are D. Will you send duplicate notice of premiums due to a  S. Will you send duplicate receipts for payments to assi	al named in policy—  putional mode [ (Desc  c currently being paid.  assignee?	Yes 🗆	No []
8. In the event of premium default, the following optic  9. Name of present beneficiary if different from origins  0. Death settlement basis: Lump sum O  1. Agency or branch office through which premiums are  2. Will you send duplicate notice of premiums due to a  3. Will you send duplicate receipts for payments to asi  4. Will you notify us at the end of grace period if premi	al named in policy—  putional mode [ (Desc  c currently being paid.  assignee?	Yes 🗆 . Yes 🗅	No []
B. In the event of premium default, the following optic Name of present beneficiary if different from origins D. Death settlement basis: Lump sum O  I. Agency or branch office through which premiums are D. Will you send duplicate notice of premiums due to a  S. Will you send duplicate receipts for payments to assi	al named in policy—  putional mode [ (Desc  c currently being paid.  assignee?	Yes   Yes	No []

to accrual accounting should be of at least equal calibre with the personnel in your loan departments and in your security departments, plus a special combination of curiosity, imagination, and persistence that adds up to make a good investigator or auditor."

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## MAKES CHECKING ACCOUNT BOOKKEEPING MORE EFFICIENT... MORE PROFITABLE

The new VISIBLE system of Remington Rand not only completely eliminates the daily posting of either ledger or statement sheets... but it has the unique new Remington VISIBLE check-posting pocket. Postings are made direct to the face of the check or deposit slip and settlement for the day consists of the proof that the proper amount of checks and deposits have been posted.

## Signature, Account Name and Last Posted Item Are All Visible In The Remington Rand Pocket

The signature card is permanently filed under the retaining flap at the top of the pocket, leaving the signature constantly in view for verification purposes. The depositor's monthly control card, checks, deposit slips and debit tickets are filed in front of the signature card in the order posted, so that the last item handled is always visible—showing current balance at a glance. An account card accommodating up to 4 years of account activity is a basic part of the system.

## **Big Operating Economies For Banks**

(1) Bookkeeper handles the check once, posting and filing it once in the Remington Rand VISIBLE Pocket

Remington Rand

... no further filing or rehandling ... posting errors are almost entirely eliminated.

(2) Simplified posting operation to and from the one and only file—the Remington Rand VISIBLE Pocket—enables one bookkeeper to handle up to 4,000 accounts.

(3) Affords immediate accessibility to all account data—the signature, account history card, checks, deposits and balance are all in the VISIBLE Pocket.

(4) Signature verified at a glance as each check is filed.

(5) The account history card is the balance card and is posted simultaneously with the preparation of the statement. Trial balance is a by-product of this posting operation.

(6) Easier to prove and easier to audit than existing systems.

(7) Work peaks are leveled. End-of-month workload and overtime expense are eliminated. Personnel time savings range up to 50%.

(8) Savings in space up to 50% result from the reduced number of machines and personnel.

(9) Equipment costs are halved.

(10) System easily and quickly installed. Present signature cards may be used.

### One Hour Fire Protection At Point-Of-Use

Be sure you get *certified*, 1-HOUR insulated fire protection for these vital records—just "insulation" is not sufficient! This newly designed *certified*, 1-HOUR desk gives you *genuine* fire protection. (Non-insulated equipment is also available.)

Get full particulars today. Call your local Remington Rand office for illustrated literature, information and prices on the New VISIBLE Check-Posting System. Or, write Remington Rand, Room 1227, 315 Fourth Ave., New York 10, N. Y.

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## THE INDIANA NATIONAL BANK

OF INDIANAPOLIS

Gateway to Business in Indiana



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## Condensed Statement of Condition

as of December 31, 1955

## RESOURCES

Cash on Hand and on Deposit with Federal Reserve and Other Banks . . . \$122,233,432.89 \$274,458,493.27 U. S. Govt. Securities . . 152,225,060.38 Other Bonds and Securities . . . . . 25,876,337.12 Stock in the Federal Reserve Bank . 750,000.00 Loans and Discounts . . . . . . . . . . . . 133,585,474.12 5,000,000.00 Bank Buildings . . . . . . . . . . . . . . . . . Accrued Interest Receivable. . . 1,224,543.98 Other Resources . . . . . 497,384.23 \$441,392,232.72

## LIABILITIES

\$10,000,000.00 15,000,000.00 \$30,458,757.77 Surplus 5.458.757.77 Undivided Profits . . . . Accrued Interest, Taxes and Other Expenses . . . . . 1,463,796.77 Dividend Payable January 3, 1956 300.000.00 Deposits . . . . . . . . . . . . . 407,981,780.48 1,035,366.80 Unearned Discount Other Liabilities. . 152,530.90 \$441,392,232.72

## DIRECTORS

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WILLIAM P. FLYNN President

WILSON MOTHERSHEAD Executive Vice President

ROY E. ADAMS Chairman of the Board, J. D. Adams Manufacturing Co.

CORNELIUS O. ALIG President, Home Land Investment Co.

FRED G. APPEL Chairman of the Board, Gregory & Appel, Inc.

WILLIAM A. ATKINS President, Severin Hotel Company, Inc. EARL B. BARNES Barnes Hickam Pantzer & Boyd

R. NORMAN BAXTER President, The Keyless Lock Company

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President,
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Yards Company

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Treasurer, Eli Lilly and Company

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## How to Avoid Credit Losses in Country Banks

Speaking on "Causes of Credit Losses in Country Banks," Max Stieg, president, Dairyman's State Bank, Clintonville, Wisc., states in part:

"Because of so many duties falling upon the same executive in the country bank and the limited amount of time he has to take care of them, there is a danger that loans are sometimes made after too hasty an investigation and appraisal of the applicant's past record and the value of the property offered as collateral security. Haste in appraisals may overlook certain weaknesses in management ability or the resale value of the property that later could seriously affect the ultimate payment of the debt.

### Make Visits!

7

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"Even though the banker may be reasonably well acquainted with the property, some competent member of the managing officers of the bank should always visit the property to be mortgaged. Unless the banker is well versed in the particular branch of farming in which the applicant is engaged, it would be well for him to have experienced agriculturists on his loan committee and board of directors who will accompany him to the farm property. A visit to the farm real estate will give the banker a much better understanding of the applicant's management ability. Good 'housekeeping' and good management are usually synonymous. Badly kept buildings and poorly protected equipment do not show on a financial statement, but can be costly to the borrower and to the banker.

"In making livestock loans, it is just as important that a visit should be made to see the property. A cow is a cow and not until you have seen it yourself will you be able to evaluate whether or not it is a \$50 cow or a \$350 creature.

"Too much debt is always a potential threat to any borrower's ability to meet his obligations.

"In financing the credit needs of the small businessman, the country bank is often asked to extend credit on notes collateralized by common stock of local corporations, where the stock is closely held. No matter how successfully such companies may be managed and how good a financial statement the corporation may furnish, such loans are bound to be very vulnerable to possible losses unless a controlling interest in the corporation is pledged as collateral. A minority stock ownership in a small corporation is exactly what the name implies and is at all times subject to the whims and occasional conniving schemes of the majority stock owners. There

is no market for such stock, excepting that made by the majority stockholders. Such loans should be avoided unless a controlling interest is pledged.

"The real secret of avoiding losses in banks is for management to head an organization that is well informed on the problems of the industries in its community and that, at the same time, keeps itself informed on the daily problems of the borrowers."



### RESOURCES

CASH AND DUE FROM BANKS	\$ 84,013,466.77	
UNITED STATES GOVERNMENT SECURITIES	59,259,582.14	
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS	15,030,554.00	
OTHER BONDS, NOTES AND DEBENTURES	1,243,604.20	
STOCK FEDERAL RESERVE BANK	420,000.00	
LOANS AND DISCOUNTS\$114,080,506.14		
COMMODITY CREDIT CORPORATION		
INCOME EARNED—UNCOLLECTED	725,268.60	
BANKING HOUSE AND GARAGE PROPERTY	3,837,000.00	
FURNITURE AND FIXTURES	1.00	
OTHER REAL ESTATE	1.00	
CUSTOMERS' LIABILITY—ACCEPTANCES OUTSTANDING	48,879.77	
CUSTOMERS' LIABILITY—LETTERS OF CREDIT	1,325,900.00	
OTHER RESOURCES	74,014.20	
TOTAL	\$291,388,256,12	

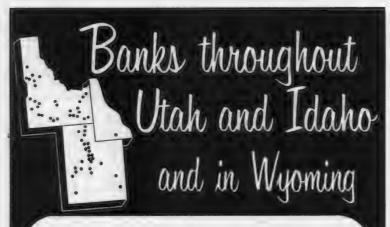
### LIABILITIES

CAPITAL ACCOUNTS:		
COMMON STOCK\$ 7,000,000.00		
SURPLUS 7,000,000.00		
UNDIVIDED PROFITS 1,405,250.03	\$ 15,405,250.03	
RESERVE FOR CONTINGENCIES	2,158,301.86	
RESERVE—AMORTIZATION OF BOND PREMIUMS	284,541.06	
RESERVE-TAXES, INTEREST, EXPENSE, ETC	1,162,607.78	
ACCEPTANCES EXECUTED BY THIS BANK	48,879.77	
LETTERS OF CREDIT ISSUED	1,325,900.00	
INCOME COLLECTED—UNEARNED	1,135,607.26	
DEPOSITS:		
INDIVIDUAL\$185,682,638.67		
BANK 61,284,308.99		
U. S. GOVERNMENT		
OTHER PUBLIC FUNDS	269,867,168.36	
TOTAL	\$291 388 256 12	

U. S. Government and other securities carried at \$45,216,589.69 in the above statemnt are deposited to secure public funds and for other purposes required or permitted by law.



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## FIRST SECURITY CORPORATION System of Banks

Combined Statements of Condition, December 31, 1955

### RESOURCES

Cash on Hand and in Banks	\$ 82,666,677.46
U. S. Government Securities	. 136,225,967.34
Municipal and Other Securities	14,583,822.44
Total Cash and Securities	\$233,476,467.24
Loans and Discounts	. 156,116,157.29
Loans Federally Insured or Guaranteed	44,967,839.06
Banking Houses	1,633,032.55
Stock in Bank Building Company	4,000,000.00
Furniture and Fixtures	1 /0" 3"0 00
Stock in Federal Reserve Bank	
Other Resources	. 556,867.79
Total Resources	\$442,804,236.02

### LIABILITIES

LIADILITIES	
Capital	. 11,275,000.00
Surplus	. 8,175,000.00
Undivided Profits and Reserves	. 5,429,843.24
	24,879,843.24
Reserve Under Authority	
U. S. Treasury Mim. 6209	. 3,292,065.17
Government and Public Fund Accounts	\$ 71,974,485.95
Demand Deposits	. 217,209,722.43
Time Deposits	. 121,982,260.48
Total Deposits	\$411,166,468.86
Unearned Discount	2,475,934.75
Reserve for Taxes, Interest, etc	790,817.72
Other Liabilities	199,106.28
Total Liabilities	\$442,804,236.02

(Included are Inter-Bank Deposits Totaling \$2,600,218.57)

**Members Federal Deposit Insurance Corporation** 

## FIRST SECURITY BANKS

Headquarters: Salt Lake City, Utah



## Canada's Dollar

(CONTINUED FROM PAGE 57)

tions that it has a current productive value in materials, goods, and services of \$26.5-billion per year.

It might be argued that Canadian travelers to the United States should carry American funds in one form or another. But these people have a justifiable pride in their own money and they think it should be as readily acceptable as American currency is in Canada, where it circulates freely, even in remote regions, though at a slight discount. Moreover, Canadians are fully conscious of the unquestioned value of their money in centers such as Detroit. Why not elsewhere, they wonder.

## **Public Education Needed**

So it seems that if all sections of the United States desire to benefit fully from Canadian travel expenditures they should be made aware of the advantages of accepting Canadian money. This could be done by the combined efforts of American banks and other financial institutions, transportation systems, hotel and motel associations, and the publishers of leading newspapers and periodicals. Finally, some joint currency stabilization program might be worked out between the Canadian and American departments of trade and commerce, the central banks, and the federal governments.



"Is this where I bring my Canadian dime?"

# Whether you're selling products or services . . . a PITTSBURGH OPEN-VISION FRONT will help build business!



DRUG STORE—The Prescription Shop in Moline, Illinois, owes much of its smart good-looks and eye-attracting appeal to its bright Pittsburgh Open-Vision Front. The big Panels of Pittsburgh Polished Plate Glass make the entire interior one big showcase and the recessed entranceway—featuring a Herculite® Plate Glass Door and Sidelights—draws the passerby into the shop. Carrara® Structural Glass and Pittco® Store Front Metal complete the shop front, designed by Architect Wm. A. Schultzke, Moline, Ill.



DAIRY STORE—The Purvin Dairy Company, Wilkes-Barre, Pennsylvania, shows how effectively a Pittsburgh Open-Vision Front draws attention to a small store. Pittsburgh Polished Plate Glass and a Herculite Plate Glass Door create the open-vision front, while Carrara Structural Glass is used for facing on the building front and for the attractive name signs. Pittco Store Front Metal supports the Plate Glass panels and the entranceway.

THEATRE—Denver Theatre, Denver, Colorado, makes the most of an attractive lobby with its Pittsburgh Open-Vision Front. Pittsburgh Polished Plate Glass and six Herculite Plate Glass Doors were used to create this inviting, wide-open effect. The installation was completed with the use of gleaming, beautiful Pittco Store Front Metal. The doors open easily on smoothly-operating Pittcomatic® Hinges. Architect for this outstanding modernization was Walter H. Simon, Denver, Colorado.



#### Send for free booklet!

For more information about Pittsburgh Store Front Products, and about the effectiveness of their use on both new and remodeled buildings, just send in the convenient coupon. We'll be glad to send you a copy of our free store front booklet.



Pittsburgh Plate Glass Company Room 6133, 632 Fort Duquesne Blvd. Pittsburgh 22, Pa.

Without obligation on my part, please send me a FREE copy of your modernization booklet, "How To Give Your Store The Look That Sells."

Name .....

Address .....

City ..... State.....

PAINTS . GLASS . CHEMICALS . BRUSHES . PLASTICS . FIBER GLASS
PITTS BURGH PLATE GLASS COMPANY

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED

### Washington

(CONTINUED FROM PAGE 41)

they saw no signs of any immediate consideration of this subject, or hearings thereon.

#### Supervisory Salaries

The House passed, and the Senpate committee reported out, different bills which would raise the salaries of members of the Board of Governors of the Federal Reserve System, the members of the Board of the FDIC, and the Comptroller of the Currency. These and lesser bank supervisory officials would be given salary boosts as part of a general executive pay increase program.

Bills under active consideration do not appear to give the bank supervisory officials full "parity" with other governmental executives having comparable responsibilities, but would tend to correct some of the "downgrading" salarywise of the bank supervisory officials.

Passage fairly early in the Senate of a bill on this subject was anticipated, after its withdrawal from the calendar for hearings.

#### **Examinations, Directors**

Two bills of interest to national banks—S. 1188 (waiving one national bank examination every two years in the discretion of the Comptroller) and S. 1736 (liberalizing the residential requirement of defectors from 50 miles to 100 miles of the location of the bank and reducing the number of directors required to live within the state from 75% to 66 2/3%) have both passed the Senate.

At press time, hearings on both bills had been scheduled by the House Banking and Currency Committee for January 19, at which Gibbs Lyons, president of the A.B.A. National Bank Division and president of the First-Stamford National Bank & Trust Co., Stamford, Conn., was to testify.

#### **Martin Renominated**

Continuity of policy on the Federal Reserve Board was indicated by the reappointment of William McChesney Martin to membership on the Board. The nomination of Gov. Martin to a full 14-year term was sent to the Senate by the President, and confirmation was expected. Mr. Martin last April 1 had been redesignated by the President to be chairman of the Board for a four-year term which began on that date.

#### Reserve Formula

Ray M. Gidney, the Comptroller of the Currency, in his last annual report proposed that, in place of the present permissible alternative bad debt reserve formulas, based upon varying periods of individual bank experience with bad debts, there be a new formula. The new formula, he suggested, should be ½ of 1% of eligible loans until a suitable ceiling had been reached.

This is virtually what the A.B.A. suggested to the Treasury in 1953.

As yet, this proposal has not been translated into pending legislation before Congress. So far as it is known, the suggested new formula has not been considered by the Secretary of the Treasury.

#### Lending Agencies

In its report on lending agencies the Hoover Commission proposed sweeping reforms in the operation of Government lending, guaranteeing, and insuring agencies. In the main

(CONTINUED ON PAGE 114)

## CHEMICAL CORN EXCHANGE BANK

Founded 1824

165 Broadway, New York

Condensed Statement of Condition

At the close of business December 31, 1955

#### ASSETS

Cash and Due from Banks	\$ 967,546,895.90
U. S. Government Obligations	506,550,128.38
State, Municipal and Public Securities .	296,678,068.67
Other Bonds and Investments	12,374,927.61
Loans	1,306,904,413.49
Banking Houses Owned	10,150,384.22
Customers' Liability on Acceptances .	42,950,644.53
Accrued Interest and Accounts Receivable	7,976,959.25
Other Assets	4,941,531.09
	\$3,156,073,953.14

#### LIABILITIES

Capital Stock	\$ 47,234,0 127,766,0	
	22,304,8	\$ 197,304,883,76
Reserve for Contingencies		4,406,421,67
Reserves for Taxes, Expe		,,
		 7,469,984.85
Dividend Payable Januar		 2,361,700.00
Acceptances Outstanding	(INet) .	 44,315,592.12
Other Liabilities		 4,202,424.08
Deposits		 2,896,012,946.66
		\$3,156,073,953.14

Securities carried at \$115,682,934.00 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

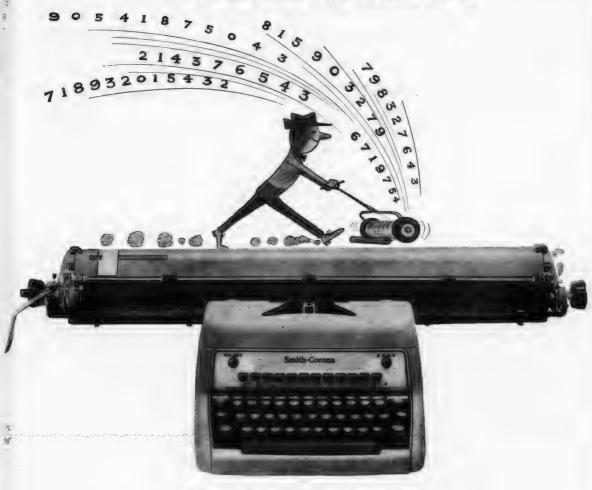
#### Convenient Offices Throughout Greater New York

Every Banking and Trust Service at Home and Abroad

Charter Member New York Cleaving House Association
Member Federal Reserve System Member Federal Deposit Insurance Corporation

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## wide carriage Smith-Corona with 10-Key Tabulator mows down statistics



Smith-Corona offers the ideal typewriter for all banking applications. In addition to all the wonderful features of the "Eighty-Eight" Secretarial, two special features are available. 1) A choice of six carriage widths, ranging from eleven to twenty-seven inches. 2) A 10-Key Decimal Tabulator that eliminates back-spacing and enables the typist to "mow down" statistics! Why not phone today for a revealing demonstration!

## Smith-Corona

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In addition to providing the perfect liaison system for mortgagee-dealer relations. Foremost Insurance Company—specialists in mobile home insurance—provides a Vendors' Single Interest plan protecting your interest in the chattel every minute there is an unpaid balance.

Contact your Foremost agent today for full details, or write, wire or phone:





For daily sorting of items to be posted the Kohlhaas Bank Check Sorter has all the operator features to make it the fastest sorter—the most accurate sorter on the market. Alphabetical guides can be varied to suit your requirement, and pop-in, pop-out name guides are available for fill-in. Metal guide separators give complete index visibility and assure a light, easy sorting operation.

Write for complete information and prices —

THE KOHLHAAS CO. Chicago 17 III.

(CONTINUED FROM PAGE 112)

these recommendations were aimed at diminishing substantially the element of subsidy, accounting adjustments better designed to reflect the subsidy, tighter control over these agencies, a greater "mutualizing" of their capital funds, and the requirement that, where Treasury funds are used, the actual cost to the Treasury of these public funds be paid by the lending agencies.

These reforms are likely to make little headway in either Congress or the Administration. They run headon into well entrenched pressure groups of considerable power. Finally, as in the case of the Farmers Home Administration and various housing agencies, the Administration itself is operating counter to the philosophy of the Hoover Commission's ideas on lending agencies.

#### Housing and Miscellaneous

There will be protracted debates over housing, a scheme to assist areas of "chronic unemployment"; and other proposals for flood insurance.

On flood insurance, the Administration proposed a 5-year experimental cooperative Federal and state program to indemnify losses above what private carriers would insure.

It also proposed a start at reinsurance by private companies. Congressional sources will probably seek a direct Federal program as easier to get under way, and one of larger scope than the Administration seems to desire.

Likewise the Administration was shaping up plans for loans as well as technical assistance to pull up the economies of the areas of "chronic unemployment," such as centers of diminishing textile mill or coal mining activity.

Housing legislation has become virtually a major perennial. Thus far the Administration has asked for a 2-year public housing program of 35,000 units per year, for more money for urban planning, more authority for FHA to insure broad categories of loans coming under its aegis, and an additional plan of some possible significance.

This is the President's suggestion for additional funds for "special" mortgage support, which presumably would come under the Federal National Mortgage Association. "Special mortgage support" could be used to feed large globs of Treasury cash directly into the market for VA's and FHA's should these facets of mortgage activity begin seriously

(CONTINUED ON PAGE 117)

#### HAVE YOU SEEN ....

- (1) An explanation of the Small Business Administration's "Limited Loan Participation Plan"? Write to the Administrator, Small Business Administration, Lafayette Bldg., Washington 25, D. C., for a copy of the press release SBA-#232 of Dec. 30, 1955. Also request copy of Loan Policy Board's "Loan Policy Statement" revised to Dec. 31, 1955.
- (2) An imposing study of flood and similar disasters, past proposals for Government aid in insuring losses from such disasters, and some of the pros and cons of pending proposals. This is contained in "Federal Disaster Insurance," a staff study for the Senate Banking and Currency Committee, Washington, D. C. The Senate Banking Committee will be glad to supply copies to banks so long as they last.
- (3) A comparatively late and more expanded barrage in Judiciary Chairman Celler's war against bank mergers, with proposals for discouraging them. Write to the House Judiciary Committee, Washington, D. C., for the "Interim Report" of the Anti-trust Subcommittee, pursuant to H. Res. 22, entitled "Corporate and Bank Mergers."
- (4) An indication, if in vague general terms, of some proposed severe amending of the Federal income tax to hit higher and middle income harder and level incomes more vigorously within the U.S. Send to the Congressional Joint Committee on the Economic Report, Senate Post Office, Washington, D. C., for a copy of the report, "Tax Policy for Economic Growth and Stability," being a report of the JEC's Subcommittee on Tax Policy. (This is the report which in its first section opposes tax reduction in 1956.)



Organized as N. W. Harris & Co. 1882 Incorporated 1907

## and Savings BANK

115 W. MONROE STREET, CHICAGO 90

#### STATEMENT OF CONDITION

December 31, 1955

#### RESOURCES

HARRIS Trust

#### LIABILITIES

Cash on Hand and Due from Banks	\$192,100,380.82	Demand Deposits \$ 617,437,229.29	
U. S. Government Securities	169,145,287.69	Time Deposits 91,334,819.13	
State and Municipal Securities	64.160.957.87	Total Deposits	\$708,772,048.42
State and Municipal Securities	04,100,937.07	Dividend Payable January 3, 1956	360,000.00
Other Bonds and Securities	5,403,454.52	Reserves for Taxes, Interest, etc	7,056,545.19
Loans and Discounts	329,309,421.50	General Contingency Reserve	8,032,059.39
Federal Reserve Bank Stock	960,000.00	Capital \$ 12,000,000.00	
A 17 to an and Oak Parameter	0.004.100.40	Surplus	
Accrued Interest and Other Resources	2,994,132.42	Undivided Profits 10,227,981.82	
Bank Premises	2,375,000.00	Total Capital Funds	42,227,981.82
	ATT 00 110 001 00		

\$766,448,634.82

\$766,448,634.82

United States Government Obligations and Other Securities carried at \$84,970,383 are pledged to secure Public and Trust Deposits and for other purposes as required or permitted by law.

#### -DIRECTORS =

EDWIN C. AUSTIN Sidley, Austin, Burgess & Smith

JAMES M. BARKER Chairman of Board Allstate Insurance Company

MARK A. BROWN Room 1110, Harris Trust Bldg.

WESLEY M. DIXON
President
Container Corporation
of America

DAVID GRAHAM
Financial Vice President
Standard Oil Company (Indiana)

FRED G. GURLEY President, The Atchison, Topeka and Santa Fe Railway Company

NORMAN W. HARRIS Room 2001, Harris Trust Bldg.

STANLEY G. HARRIS Chairman, Executive Committee

CHARLES C. JARCHOW President American Steel Foundries

WAYNE A. JOHNSTON
President
Illinois Central Railroad

WILLIAM V. KAHLER
President
Illinois Bell Telephone Company

EDWIN A. LOCKE, JR.

President

Union Tank Car Company

JOHN L. McCAFFREY

President
International Harvester Company

F. B. McCONNELL President Sears, Roebuck and Co.

JAMES L. PALMER
President
Marshall Field & Company

CHARLES H. PERCY
President
Bell & Howell Company

GUY E. REED Executive Vice President (retiring as an officer December 31, 1955)

JOHN G. SEARLE

President
G. D. Searle & Co.

STUART J. TEMPLETON Wilson & McIlvaine

KENNETH V. ZWIENER
President

Member Federal Reserve System . . . Member Federal Deposit Insurance Corporation

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### FOR GROWING BANKS

## IBM PROOF MACHINE PLAN BOOSTS EFFICIENCY TODAY ...LEAVES YOU FREE TO ACT TOMORROW

For banks these are volatile times! Times of sudden growth, centralization, merger; times that demand unhampered executive thought...and action! Absolutely no time for your bank to become "equipment bound" for as long as 8 to 10 years. That is why we urge you to consider the rental of IBM Proof Machines as the answer to

today's and tomorrow's needs!
With IBM you get all the
advantages of the finest Proof
Machines available...for as low
as \$57.50 per month. At any time,
you can increase or decrease

your equipment inventory to meet your needs. As new IBM electronic developments for work simplification and consolidation are available, additional cost-cutting efficiencies are yours!

Put the IBM Proof Machine Rental Plan into action immediately. For thousands of IBM customers, this Plan has proved to be "good busi-

ness." Get all the facts before you decide.

Call your local IBM representative or write: DEPARTMENT OF BANKING,
International Business Machines
Corporation, 590 Madison Avenue,
New York 22, N. Y.



DATA PROCESSING

IBM PROOF MACHINE

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(CONTINUED FROM PAGE 114) to lag and threaten the almost official Federal goal of a housing construction volume of 1,200,000 units annually.

Democrats are groping for a housing program to be offered as part of the party's political platform, but they had not rounded up a legislative program at writing.

#### **Keeps Tight Money**

Indications were that both the Eisenhower Administration and the Federal Reserve Board were disposed to maintain the tight money policy at the outset of the new year. While there were no present prospects of further overt tightening action such as a higher discount rate, open market operations were expected to keep a close rein on bank credit expansion until such time as the over-all economic picture changed.

As a matter of fact, initial attention to this subject at the opening of the session in Congress was light, for debate on purely economic and monetary issues usually does not get well organized until the President issues his Economic Report message, comparatively late in the month.

#### Loan Survey

Federal Reserve Board economists now report that the February issue of the Federal Reserve Bulletin is probably the earliest time they will be able to publish preliminary, overall information on last fall's business loan survey. This was a detailed survey of business loans by some 2,000 representative banks.

The A.B.A. backed this loan survey, which will break down into detail information about how commercial banks serve business customers, large and small. Data are now being assembled by electronic machinery.

After the first *Bulletin* article, Federal Reserve economists will follow in succeeding issues of the FR publication with articles discussing various aspects of loan operations.

In the small business loan field, the Small Business Administration has come forward with its "Limited Loan Participation Plan." This is designed to facilitate the making of term loans up to five years to small distributors and service establishments whose total credit needs are \$20,000 or less—but usually less.

Chief feature of this scheme is





This latest Home Insurance Company advertisement talks to people who own cars—your customers and ours.

It sells the importance of *quality* insurance coverage, and it's to the advantage of bank as well as borrower to specify the best insurance protection that can be had.

Your local agent of The Home Insurance Company will be glad to cooperate with you in every way he can. Get acquainted with him.

that SBA will take a bank's appraisal of any customer's collateral, provided the particular bank will advance not less than 25% of the loan out of its own funds. SBA's part is limited to \$15,000 per loan or 75%, whichever is the smaller.

#### **Farmers Home** Eases Loan Take-Out

Under Farmers Home Administraviion, the Government insures 40year mortgage loans and 20-year loans for a wide variety of purposes, such as irrigation works, building permanent pasture, putting in soil

conservation works, or reforesting land. In the cases of such loans the Government handles all the operations, including collections, except the disbursement of funds on the 31/2 % guaranteed loans.

Banks or other lenders provide the funds.

In the past-on mortgage loansthe Government would contract to take any individual farmer's insured loan off a bank's hands in 10 years, if the bank so wanted. Farmers Home will now agree to take back both the mortgage and "water facility" loans in five years.

#### **Budget Balance Precarious**

Details of the President's official estimates for Treasury receipts and expenditures for the current (1956) and 1957 fiscal years indicate that these projected budget balances are precarious.

It is always difficult for a President with the best of intentions and the ablest of statisticians to make an accurate 18-month projection. For instance, one year ago the President estimated Federal expenditures for the current year at \$62.4-billion. This January, in submitting the 1957 budget, the President revised these estimates upward to \$64.3-billion, or \$1.9-billion higher.

One year ago the President said the Treasury would collect \$60-billion of revenue. This year he raised this estimate by \$4.5-billion, to \$64.5-billion.

## The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of December 31, 1955

#### RESOURCES

Cash and Due from Banks	\$101,264,827.80
United States Bonds	100,149,895.91
State and Municipal Bonds	14,934,539.32
Other Bonds and Securities	8,422,744.74
Loans and Discounts	145,103,512.22
Banking Premises Owned	4,417,731.33
Customers Liability under Acceptances.	61,377.53
Income Accrued Receivable and Prepaid Expense	1,139,369.59
Other Resources	342,534.18
TOTAL	\$375,836,532.62

#### LIABILITIES

Capital Stock (\$25.00 Par Value)  Surplus  Undivided Profits:	\$11,875,000.00 11,875,000.00 3,558,496.81	
TOTAL CAPITAL FUNDS		\$ 27,308,496.81
Reserve for Dividends, Interest, Taxes, etc	******	3,791,714.14
Liability under Acceptances		61,377.53
DEPOSITS:		
*Commercial, Bank and Savings	••••••	340,144,604.33
U. S. Government		4,478,982.64
Other Liabilities	***************************************	51,357.17
TOTAL		\$375,836,532.62

\*Includes \$8,502,876.55 of Trust Money on deposit in the Banking Department, which under the pro-visions of the Banking Law of the State of Ohio, Section 1107.12, is a Preferred Claim against the Assets of the Bank.

#### DIRECTORS

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President, Emery Industries, Inc.

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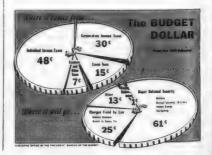
"Errors" Add Up

In other words, the combined errors of projection over a 12-month period alone aggregated \$6.4-billion. In relation to the latter figure, the comparatively small forecast of a 1957 surplus of only \$400,000,000 looks fragile.

The current year prospects also changed over a 6-month period. In August, with fiscal 1956 beginning, the President estimated spending at \$500,000,000 less than the January 1956 estimates for the current year. Revenue estimates from August to January for the current year were revised upward by \$2.4-billion.

This was a combined difference of \$2.9-billion, and there was still six months of the fiscal year to go before its end, after the latest estimates were made. Yet the White House plans on a surplus for the current year of only \$200,000,000, a picture which could easily vary one way or another from this slender balance.

Another way of appraising it is that despite a business boom which (CONTINUED ON PAGE 120)



Our Axiom of Institutional Investment Service

The only securities trade worth making is one that fulfills the objectives of the institution with which it is made.

Financial institutions are invited to avail themselves of our services.

## SALOMON BROS. & HUTZLER

Dealers and Underwriters of High-Grade Securities

Members New York Stock Exchange

SIXTY WALL STREET, NEW YORK 5, N. Y.

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DALLAS

WEST PALM BEACH

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Are you ready for numbers? Is this the time to start thinking of processing checks by account numbers instead of by names? Some banks are already doing it. Others plan to do it when automation becomes a reality. Still others want to get started now because of the two-year time lag before the numbers appear on all the checks going through.

We don't know too much about this particular subject except that it is going to cost the banks a lot of money. We also know that it is going to cost certain banks a lot more than others. For example, if we assume it costs 40c per customer per year to supply blank checks, and that it will cost \$1.40 per year to supply checks with imprinted account numbers, then a bank with ten thousand accounts would have to absorb an increased check cost of ten thousand dollars.

On the other hand, if over the years a bank had succeeded in selling imprinted checks to 50% of its customers, then this bank would have to absorb only five thousand dollars. Better than that, since this bank would have saved two thousand dollars, the actual absorption would be three thousand dollars. In other words, can you afford not to sell imprinted checks?

It isn't too late to start, because electro-mechanical processing is still a few years away and there is plenty of time to do a selling job. Our responsibility is not only to produce quality checks but to help you sell them. We provide advertising and many other sales helps to do the job. Regardless of the size or location of your bank, we can present a program that will save you money . . . a program that will tie in with numerical processing of the future... a program that will be effective now.



Manufacturing Plants at: CLIPTON, PAOLI, CLEVELAND, INDIANAPOLIS, CHICAGO, KANSAS CITY, ST. PAUL



## Australia

### from a business point of view

This booklet will assist anyone contemplating establishing a business in Australia, whether it is a small retail business or a large manufacturing company.

Written with the authority of Australia's oldest and largest joint-stock bank, it offers those who wish to start a new enterprise in that young but growing country a short account of the framework of business organization throughout the Commonwealth of Australia. It also affords some knowledge of the problems and conditions which would be met.

If you have customers interested in establishing a business in Australia, you may obtain free copies of this book from:

### BANK OF NEW SOUTH WALES

BRITISH & FOREIGN DEPARTMENT, SYDNEY, AUSTRALIA

by January 1956 was estimated to be swelling revenues by \$4.5-billion more than the Treasury counted upon a year ago, expenditures nevertheless also rose, so that, in place of the \$2.4-billion deficit forecast 12 months previously, the Treasury can now anticipate only a will-o'-the-wisp surplus of \$200,000,000.

#### **Estimates Seem Low**

Another revelation in the budget message is that the President appeared to avoid making spending estimates for some of the new objects of expenditure he is proposing to Congress. Where he did include estimates they often appeared low, to informed observers. Finally, in the face of the trend apparent for about a year — for Federal nondefense spending to rise—the President estimated a number of reductions.

Concretely the President estimated that only \$400,000,000 additional would be spent upon his proposed "soil bank"—expected to pass—and related programs. An outstanding farm legislator told Bank-ING that the acreage retirement ("soil bank") plan alone would cost not less than \$400,000,000 above what the President estimated in the budget.

Inasmuch as it was anticipated that the "soil bank" could scarcely get well into operation before the election, farm-state legislators were importuning the President to order the Government to embark upon a vigorous interim commodity buying program, and to provide Government-sponsored credit through Farmers Home Administration to bail out farmers having credit difficulties, and to make credit available to those whose circumstances would not justify accommodation at Government - supervised, private lending institutions.

While not so ambitious fiscally as the "soil bank," the related farm programs would involve a substantial variety of Treasury outlays.

#### **Highways Omitted**

On the premise that he did not have dollar estimates, the President expressly eliminated from 1957 estimates any guess on spending for the proposed expanded road program. While little road construction would actually get under way in

(CONTINUED ON PAGE 123)



From The New York Times, December 15, 1955

In television-banking

## THE BEST OF EVERYTHING BANK-TV means

Lower operating costs, increased business, faster customer service, centralization of accounting functions and more banking in less space are prime objectives of any bank. The New York Savings Bank is achieving all of them with the help of GPL Bank Television.

A pioneer in television banking, The New York Savings Bank based its selection of GPL's system on solid experience. The same advantages that influenced their decision will make this revolutionary visual communications tool equally valuable to your bank.

For information, write:



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General Precision Laboratory Incorporated

Pleasantville, New York

A SUBSIDIARY OF GENERAL PRECISION EQUIPMENT CORPORATION





## THE HANOVER BANK

#### TRUSTEES

THOMAS M. BANCROFT
President
Mount Vernon-Woodberry Mills, Inc.

WILLIAM A. M. BURDEN W. A. M. Burden & Co.

LOUIS S. CATES
Chairman of the Board
Phelps Dodge Corporation

COLBY M. CHESTER
Honorary Chairman
General Foods Corporation

FRANK A. CHRISTENSEN
President
America Fore Insurance Group

JOHN B. CLARK President, Coats & Clark, Inc.

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Chrysler Corporation

JARVIS CROMWELL
Presiden:
Iselin-Jefferson Financial Co., Inc.

MORSE G. DIAL President Union Carbide and Carbon Corporation

THOMAS DICKSON

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Berlin and Jones Company, Inc.

WALTER G. DUNNINGTON
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K. T. KELLER
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JOSEPH H. McCONNELL General Counsel Reynolds Metals Company

R. E. McNEILL, JR. President

J. K. OLYPHANT, JR. Vice Chairman

ROBERT G. PAGE

President
Phelps Dodge Corporation

AUGUSTE G. PRATT
Chairman of the Board
The Babcock and Wilcox Company

GWILYM A. PRICE Chairman of the Board and President Westinghouse Electric Corporation

LUCIUS F. ROBINSON, JR.
Attorney, Robinson, Robinson and Cole

JOHN P. STEVENS, JR. Chairman of the Board J. P. Stevens & Co., Inc. Statement of Condition, December 31, 1955

#### ASSETS

Cash and Due from Banks .			٠		. \$	577,057,988.27
U. S. Government Securities .						441,079,707.98
State and Municipal Securities		٠				51,263,300.98
Other Securities						12,875,387.35
Loans and Bills Purchased			٠			811,666,862.04
Real Estate Mortgages		•				21,599,211.00
Banking Houses	٠					10,715,511.00
Interest Accrued		۰				2,795,851.23
Customers' Liability on						
Acceptances Outstanding .	٠	•	٠	٠		29,917,303.70
					\$	1,958,971,123.55

#### LIABILITIES

Deposits	\$1,754,133,876.38
Acceptances \$32,169,630.23	
In Portfolio 1,318,186.87	30,851,443.36
Reserves for Taxes, Interest, etc	18,043,814.30
Dividend Payable January 3, 1956	1,500,000.00
Capital \$30,000,000.00	
Surplus 100,000,000.00	
Undivided Profits 24,441,989.51	154,441,989.51
	\$1,958,971,123.55

U. S. Government and other securities carried at \$62,503,838.90 were pledged for various purposes as required by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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fiscal 1957, it is planned that actual disbursements for purchase of rights-of-way, preliminary to construction, would get under way and be heavy immediately.

This omission, of itself, is entirely capable of dissipating the picayune surplus of \$400,000,000 estimated for fiscal 1957.

Despite a gradual shrinkage of military manpower, rising procurement costs have confounded the budget estimators twice in their guess of an expenditure of \$34-billion for Defense Department military spending. The President raises this estimate to \$35.5-billion for 1957, and estimates a small decline in the cost of "major procurement" from this year to the next.

#### Savings Pattern Changes

ECONOMIST Marcus Nadler (New York University) pointed out the increasing competitive situation in the savings field and the need to approach savings problems of banks from a slightly different angle in an address before the midwinter conference of the National Association of Mutual Savings Banks.

He pointed out that contractual savings—those relating to pension plans, social security, life insurance, and profit-sharing plans—were rapidly increasing and might alter the continued growth of direct savings in banks in the form of deposits. A further cause for a possible future decline in savings is because of the "negative" type of savings, represented by the repayment of outstanding debt.

He pointed out that in 1955 American home owners would have payed \$6.7-billion in amortization and prepayment of mortgages, a form of "savings" which is reflected by the growing equity of the home owner in his property.

The peoples of many nations are unable to live within their incomes, which indicates how rapidly civilization has spread.

The world has finally succeeded in putting peace on a war basis.





#### **DIEBOLD-BASIC VAULT DOOR**

Glistening walls of aluminum and stained glass supported by massive inverted concrete trusses rising from a black granite "Pedestal" all serve to identify this new building of the Firestone Bank. It is already considered one of the nation's most modern and completely functional banking structures.

Because of its operational advantages and design compatibility with modern architectural motifs, Diebold banking equipment was specified throughout.

Again Diebold's leadership has been acknowledged . . . by the selection of a Diebold-Basic vault door to protect the safe deposit vault. A second Diebold door guards the cash vault. Both vaults are equipped with Diebold-McClintock vault ventilators. Three book and storage vault doors are used. Two after-hour depositories will receive bag and envelope deposits. Banking quarters are further safe-guarded by highly sensitized Diebold McClintock burglary and holdup alarm systems.

For banking equipment of acknowledged leadership . . . write or call Diebold today.

Manufacturers of the world's finest banking equipment.

915 Mulberry Rd., S. E. . Canton 2, Oh

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### Salary Review

(CONTINUED FROM PAGE 74)

of the entire staff at a given point in time.

- (2) It assures consistency of approach in recommending salary increases in the light of relevant conditions.
- (3) It avoids inconsistencies in recommendations which can arise from changes in the supervisory personnel.

Some disadvantages of the periodic review of all employees at one time are:

- (1) It represents a very large task to complete the review in the large bank (e.g., 1,000 or more employees).
- (2) The pressure to complete the review within a reasonable time limit makes it difficult to give satisfactory individual attention to the recommendations.
- (3) Less flexbility can be permitted in administering the amounts of increase increments established as guides because of the size of the task.

#### The Anniversary Salary Review Plan

Under the typical "anniversary salary review plan," the salary of each employee is reviewed on an anniversary date, either the anniversary date of employment or 12 months after the last increase. Ideally under this plan supervisory employees are supplied with manuals setting forth guides as to size and frequency of salary increases to be granted over stated periods of time. The guides are established under certain general principles, e.g., that the minimum of the salary grades is generally considered fair pay for the employee demonstrating a minimum standard of performance; the midpoint of the grade range as the fair level of pay for those demonstrating a "good" standard of performance; the upper area of the range of the grade applying to the employee showing a "very good" or "excellent" standard of performance. Supervisors recommend to the officers of their departments salary increases for each of the employees under their jurisdiction on the anniversary of their employment date, or 12 months from the date of the last salary increase in accordance with the guide manual.



Special attention to collections

Accurate and dependable credit information service

TOTAL ASSETS:

More than \$520 Million Pesos (Approximately US. \$208.000.000)

TOTAL COLOMBIAN FOREIGN BUSINESS:

BOGOTA, COLOMBIA S.

Imports

Exports

1953: US. \$ 488.661.051 1954: US. \$ 650.626.000

US. \$ 531.452.635 US. \$ 656.359.000

BANCO DE BOGOTA

Scudder
Stevens
& Clark
Fund, Inc.

105 BRANCHES

ESTABLISHED IN 1928

Prospectus on request:

10 Post Office Square Boston 9, Massachusetts

300 Park Avenue New York 22, New York

117 South 17th Street Philadelphia 3, Pa.

8 So. Michigan Avenue Chicago 3, Illinois The following is typical:

#### GENERAL GUIDES FOR MERIT INCREASES

Schedule I

Salary increases in the amounts shown may be recommended when present salary is below the salary grade mid-point and merit rating is:

	Salary Grade	Good	Very Good	Excellent	
-	3	\$156	\$182	\$234	(per annum)
	7 etc.	208	260	338	

#### Schedule II

Salary increases in the amounts shown may be recommended when present salary is above the salary grade mid-point and merit rating is:

Salary Grade	Good	Very Good	Excellent	
3	_	\$156	\$208	(per annum)
7 etc.	_	208	312	

The obvious advantage of the anniversary type of salary review plan is the opportunity it affords to give greater individual attention to each case because of the spreading out of reviews over the period of a year. It has another advantage, perhaps equally important, resulting from the dispersion of the reviews, in that it avoids the emphasis in the minds of employees of a particular date as "salary review time" and the association with it of the feeling that the granting of salary increases is a mass action, not necessarily geared to individual merit.

#### Salary Controls

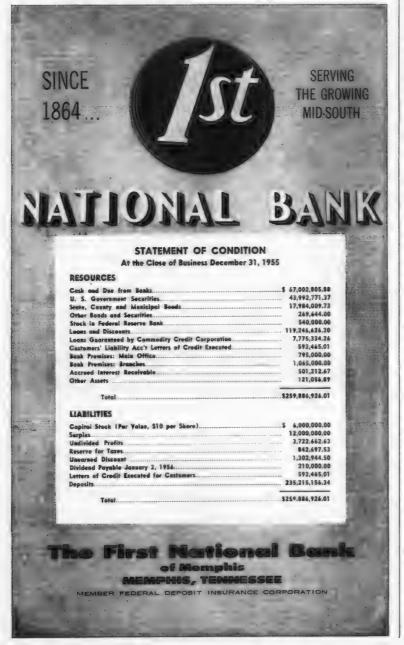
In meeting the objective "to keep salary expense within budget limits set in relation to other costs of profitable operation" salary increase procedures must rely on devices such as salary budgets and analyses of the relationships and alignment of salaries departmentally, within given jobs, and within salary grades. There are in use some precise salary increase budget controls geared directly to the periodic salary review procedures.

#### A Plan for Internal Salary **Alignment Control**

Variations occur in the ranges of actual salaries paid to employees classified in individual jobs within the administrative ranges of rates established under job evaluation programs. Although, for example, bookkeeping machine operators and key punch operators may be controlled within the same range of rates administratively, in practice the salaries paid to bookkeepers may be found to cluster generally higher or lower within the administrative ranges than salaries of key punch operators. This general differential in the salaries paid in the two jobs may or may not be warranted.

It is a prime contention of this study that the processes normal to most job evaluation plans provide, as a by-product, the records of salary data necessary to establish and maintain systematic salary distribution comparison studies which will, first, make it possible to recognize the inequities promptly if they occur, and, second and most important, to make understood the normal patterns of salary rate relationships among jobs so that inequities can be avoided in the current administration of salary adjustments. The type of solution suggested here applies principally to the bank with a relatively large number of employees

(CONTINUED ON PAGE 128)



## The FIRST NATIONAL CITY BANK



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of New York

Head Office: 55 Wall Street, New York

73 Branches in Greater New York 66 Overseas Branches, Offices, and Affiliates

#### Statement of Condition as of December 31, 1955

Cash, Gold and Due from Banks United States Government Obligations	
HNITED STATES GOVERNMENT ORLICATIONS	\$1,616,567,604
CHIED DIALES GOVERNMENT OBLIGATIONS	1,319,313,958
OBLIGATIONS OF OTHER FEDERAL AGENCIES	44,951,603
STATE AND MUNICIPAL SECURITIES	541,346,809
OTHER SECURITIES	148,354,019
LOANS AND DISCOUNTS	3,184,559,907
REAL ESTATE LOANS AND SECURITIES	30,218,301
Customers' Liability for Acceptances	42,126,245
STOCK IN FEDERAL RESERVE BANK	15,000,000
OWNERSHIP OF INTERNATIONAL BANKING	
CORPORATION	7,000,000
BANK PREMISES	35,961,202
ITEMS IN TRANSIT WITH BRANCHES	11,008,921
OTHER ASSETS	4,887,952
Total	\$7,001,296,521
	7.,0-0,-7-,0-0
LIABILITIES	46 200 702 027
Deposits	\$6,308,783,237
LIABILITY ON ACCEPTANCES AND	
Bills	
	45 101 014
Portfolio 18,354,147	45,121,014
Due to Foreign Central Banks (In Foreign Currencies)	21,909,500
Reserves for:	
UNEARNED DISCOUNT AND OTHER UNEARNED	
INCOME	25,231,364
PAYMENTS UNDER AGREEMENT OF MERGER	,,
Dated March 1, 1955	216,700
INTEREST, TAXES, OTHER ACCRUED	,
	34,027,837
Expenses, etc.	
Expenses, etc	6 000 000
DIVIDEND	6,000,000
Dividend	6,000,000
DIVIDEND	6,000,000
DIVIDEND	
DIVIDEND	560,006,869 \$7,001,296,521

Figures of Overseas Branches are as of December 23.

\$453,849,290 of United States Government Obligations and \$22,571,200 of other assets are pledged to secure Public and Trust Deposits and for other purposes required or permitted by law.

Member Federal Deposit Insurance Corporation

Affiliate of The First National City Bank of New York for separate administration of trust functions

#### CITY BANK FARMERS TRUST COMPANY

Head Office: 22 William Street, New York

Capital Funds \$32,439,737

We shall be glad to send a complete copy of the 1955 "Report to Shareholders" of THE FIRST NATIONAL CITY BANK OF NEW YORK and CITY BANK FARMERS TRUST COMPANY to anyone who requests it.

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Fresident
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ROBERT WINTHROP
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Vice-Chairman of the Board
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Senior Vice-President
GRANT KEHN
Executive Vice-President and
Assistant to the Chairman
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Executive Vice-President
GEORGE S. MOORE
Executive Vice-President
LEO N. SHAW
Executive Vice-President
LEO N. SHAW
Executive Vice-President
ALAN H. TEMPLE
Executive Vice-President
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Vice-President
GEORGE A. GUERDAN
Vice-President and Cashier

Vice-President and Cas RALPH H. THOMSON Comptroller (CONTINUED FROM PAGE 126)

(a number over 1,000, for example).

The salary rate distribution patterns which can be most helpful, when observed and studied, are those apparent within the job groups and the salary rate ranges established through the job evaluation procedures. The salary rates paid to employees in jobs grouped by salary grades represent one significant statistical class to be observed. Also important are comparisons of the distribution of rates of pay among jobs of different levels of difficulty

but which involve the same or similar types of work. Observation of the changes in the patterns of salary levels between jobs or groups of jobs in different departments or functions of the bank are significant in recognizing differences in approach to salary recommendations emanating from the various departments.

In the large bank it is apparent that an exhaustive study of salaries relating to all the significant job groups would be a burdensome chore if it were attempted on a continuing study basis. However, a current study on a continuing basis is possible and would provide valuable information with respect to salary pattern changes for what might be called a "watch list" of key jobs.

## Development and Analysis of Statistical Patterns

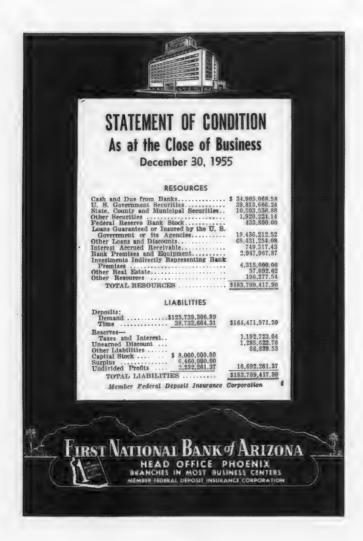
Under the procedures normal to administration of a job evaluation program, schedules are prepared and kept current to show the employees classified in each of the jobs of the bank (1) within salary grades and (2) within departments of the bank. These schedules necessarily record the salaries of the individuals and, if the lists are arranged in salary rate order high to low, or vice versa, such schedules serve to produce the frequency of the occurrence of individual salary rates or classes of rates It is from these basic rate frequency data that observations can be made of the patterns and changes in patterns of the distribution of salary rates among the job groups discussed above.

A change in salary rate distributions detected in salaries in a given job or group of jobs may indicate one or more of several possible types of change which have taken place, intentionally or unintentionally, over a period of time, such as the following:

- (a) An increase or decrease may have occurred in the rate of turnover of personnel.
- (b) Hiring criteria may have changed, resulting in a greater or lesser number of new employees added to the staff of the job at starting rates.
- (c) A change in the proportion of men and women assigned to particular jobs or types of work.
- (d) A shift in the general age level of persons hired for or assigned to particular jobs or types of work.
- (e) Changes in the amounts of salary adjustments incident to promotions to higher level jobs, or as rewards for meritorious performance under the salary review programs.
- (f) Changes in staffing requirements for given jobs, or in particular departments.

A woman may have her face lifted at the same time her husband's falls when he gets the bill.

Some Presidential hopefuls are going to learn that a primary may be a place where you end and not where you begin.





## THE ROYAL BANK

Head Office, Montreal

JAMES MUIR
Chairman and President
K. M. SEDGEWICK
General Manager
A. F. MAYNE
Associate General Manager
(non-domestic business)

#### Condensed Annual Statement

as on 30th November, 1955

#### ASSETS

Cash on hand and due from banks (including items in transit) Government of Canada and provincial government securities,	\$ 542,453,934
not exceeding market value	
Call loans, fully secured	
Total quick assets	\$1,918,749,579
Other loans and discounts  Mortgages and hypothecs insured under N.H.A. (1954)  Bank premises  Liabilities of customers under acceptances, guarantees and	100,865,965
letters of credit Other assets	
	\$3,284,143,865
LIABILI'TIES	φ3,264,143,603
Deposits Acceptances, guarantees and letters of credit Other liabilities	62,423,760
Total liabilities to the public	\$3,133,225,732
Capital paid up  Rest Account  Undivided profits	108,000,000
	\$3,284,143,865

#### Over 800 Branches

IN CANADA, ARGENTINA, BRAZIL, BRITISH GUIANA, BRITISH HONDURAS, COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO, DOMINICAN REPUBLIC, BRITISH WEST INDIES. OFFICES IN NEW YORK, LONDON AND PARIS. CORRESPONDENTS THE WORLD OVER.

London Branches

6 Lothbury, E. C. 2

2 Cockspur St., S. W. 1

Auxiliary in France

THE ROYAL BANK OF CANADA (FRANCE)

Paris

NEW YORK AGENCY
68 William Street

JOSEPH W. GANANN, Agent JOHN B. MILLER, Second Agent



80% OF THE BANK'S BUSINESS is at the commercial windows, and is handled by seven National Teller machines.



ALBERT C. STR



Vineland, N. J., PANY of Vineland, N. J., where a 100% National System provides the maximum in complete audit control:

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## "Our 100% National System provides complete Audit Control

...repays its cost many times over in savings!"

-The Tradesmens Bank & Trust Company, Vineland, N. J.

"In the last eight years our bank has experienced a considerable increase in wolume in all departments," writes Mr. Strang. "We are now using 19 National Accounting Machines in handling the business of our seventeen million dollar bank.

We have seven National Teller machines, seven Commercial Account Bookkeeping machines, three Proof machines, one Savings machine, and one Multiple-Duty Typewriter-Book-keeping machine. Since 80% of our business is handled at our commercial windows, one of the most important steps in our program of mechanization was the installation of seven National Teller machines  $2\frac{1}{2}$  years "Our 100% National System provides our bank with the maximum in COMPLETE AUDIT CONTROL. We feel most confident that our complete National System pays for itself many times over during the life of the machines. These savings have been brought about through better utilization of valuable bank personnel and better audit control over all transactions

"The efficient performance of our Nationals has also been a big contributing factor to better customer relations and the rapid growth of our bank. We are pleased to recom-mend a National System to any bank."

How would you like to have audit control like this in your bank? A National System soon pays for itself out of the time and money it saves, then continues returning savings year after year as extra dividends. Why not have your nearby National representative show you how a National System can improve your banking operation. Call him today. His number is listed in the yellow pages of your phone book.

THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio



The Arizona National Livestock Show's hadge line at Bud Brown's barn. Seated, left to right, Doris Shaw, Dorothy Griffiths, Ernestine Lovett, and Jo Ann Vaughn. Standing, Margaret Strong, Ruth Ficks, Gertrude Stanley, and Mrs. May. The women in the badge line are from the Valley National Bank and four of them (May, Shaw, Griffiths, and Lovett) are assistant cashiers

#### Successful Livestock Show

(CONTINUED FROM PAGE 64) the 1955 shows and Herefordwise it ranked second in number of herds and third in number of states represented-19-as well as in number of Hereford cattle entries. The 925 head of Hereford, Shorthorns, and Black Angus stood knee deep in the tanbark shavings of the only open show rings of the winter circuit.

The Arizona National has come into its own, through the able administration of its board and staff, backed by the financial support of the businessmen of the state. The first and only president has been the Corporation Lawyer Frank Snell of Phoenix: Ford Dealer Read Mullan and Ranch Broker Sterling Hebbard have continued to secure the memberships and sponsors to support the show. Complete cooperation of the Arizona State Fair Commission, the various breeder associations, and the top cattle men and women of the state who have carried the responsibility of the high standards of organization, arrangements and entry regulations, have combined to achieve this successful show.

But this story is about bankersthe 15 members of the boards who have contributed not only the financial support of their banks, but a lot of time and personal effort. Many's the time we have rolled up our sleeves and cleaned our shoes.

The person who claims the oldfashioned winters were harder probably has a son who shovels the sidewalk for him.

## IF YOU NEED ACCURATE INFORMATION ON COLOMBIA

U. S. industry is joining the parade of Colombian expansion . . .

- \* Where new U. S. manufacturing plants are being established to tap Colombia's abundant markets.
- \* Where new wealth is being extracted from Colombig's rich soil.
- \* Where new business is being stimulated by friendly foreign trade relations between the U.S. and

All this means that more and more banks are looking long and carefully at Colombia's continuing development when seeking correspondent relations in Latin America.

The reliable and responsible commercial and financial information supplied by the Banco Comercial Antioqueño is supported by our 43 years' experience growing with Colombia, and the complete facilities of our 37 offices located in every important commercial market of the country.

We invite your inquiries.

### BANCO COMERCIAL ANTIQUENO

Established 1912

Cable address for all offices - Bancoquia

\$21,205,712.50 - Pesos Colombian. Capital paid-up Legal reserves

\$21,000,000.00 — Pesos Colombian. \$7,233,000.00 — Pesos Colombian. Other reserves

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Armenia (C), Barrancabermeja, Barranquilla (3), BOGOTA (6), Bucaramanga, Cali (2), Cartagena, Cartago, Cúcuta, Girardot, Ibagué, Lorica, Magangué, Manizales, Medellín (3), Monteria, Neiva, Palmira, Pasto, Pereira, Puerto Berrio, San Gii, Santa Marta, Sincelejo, Socorro, Vélez (S)

New York Representative — Henry Ludeké, 40 Exchange Place, New York 5, N. Y.



**RESOURCES EXCEED \$2,700,000,000** 650 BRANCHES ACROSS CANADA .

### **Public Relations**

(CONTINUED FROM PAGE 49)

if he had said, 'Oh-oh, I'd better watch this one!'; and then too late you say 'In fives, please.' He sighs, takes your money back, recounts it, puts it back in the various compartments, and takes out the fives."

"The teller's job goes beyond speed and accuracy," Mr. Cooke continued. "Here's an opportunity for customer relations. If the lines are long and moving slowly, and you can't open another window, catch the depositor's eye, smile and say sweetly, 'It won't be long now!' If, after waiting patiently in line the customer gets to the window and you have to stop to sign checks, or discuss a signature, don't just let the poor guy stand there completely ignored. Say something, smile, commiserate with him. A kind word can do wonders."

#### Everyday Economics for Young Folks

NEARLY 100 banks, mostly in the Midwest, are now bringing the

story of money, credit and banking to school children of all ages through the program, "In Account with Youth," developed by Paul S. Amidon & Associates in cooperation with the First National Bank of Minneapolis.

The program, reported in Bank-ING when it was first offered, includes booklets and charts for use in schools, plus a service for participating teachers and bankers. It aims to fill a need for more emphasis on how economics works in many everyday problems. The materials are designed to bring out the importance of earning, spending, and saving wisely, and planning for a sound financial future.

Banks taking part in this public relations activity get ideas from the developer for making it a communitywide project.

Two new workbooks for high school students were added last year. One, "Mind Your Own Business," describes the functions and services of banks, and the growth of money, credit, and banking. The second booklet, "Count Your Assets," concerns problems children will soon face: earning a living, spending wisely, managing money in the home.

#### **Community Series**

FROM FIRST STATE BANK & TRUST COMPANY, Bogalusa, Louisiana, come samples of a newspaper ad series that tells the story of varied community activities.

Titled "Your Pursuit of Happiness," the ads have been running for two years in the Sunday edition of the Bogalusa Daily News. Each talks about a local industry or project which contributes to livelihoods

(CONTINUED ON PAGE 134)

#### What's Advertising and What Isn't

FINANCIAL PUBLIC RELATIONS ASSOCIATION and NATIONAL ASSOCIATION OF BANK AUDITORS AND COMPTROLLERS have published jointly "A Chart for the Allocation of a Bank's Advertising Appropriations." It lists activities and expenses that should and should not be charged to advertising; and borderline items are covered, too.



**WATSON**,—Contract Specialists for nearly three-quarters of a Century, have one of the most diversified production outputs in the Metal Furniture Industry, supplying: office equipment and furniture for hospitals, courthouses, and public buildings; ship furniture; electronics chassis and cabinets.

Typical WATSON Installations:

Republic National Bank, Dallas, Texas Seamens Bank For Savings, New York City

## What 29 seconds in front of the new Mosler Picture Window will show you



1. Notice how customers seem attracted by the modern, open look of the Mosler Picture Window . . . how it seems to put them at ease. And note how obviously both customer and teller appreciate the convenience made possible by Mosler's ingenious deposit unit, which slips

out at the touch of a single push-button . . . and opens its own cover to allow straight-in access of customer's hand. This is the most easily accessible unit of its kind. Most wind-resistant and safe, too. No checks and money blowing away. No risk to customer's hand.



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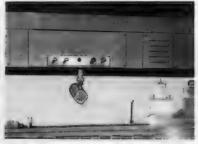
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2. Note how cash stays in view of customer at all times during transaction. Lid of deposit unit is made of clear-view bullet-proof glass. It's counterbalanced for effortless operation. Keeps drafts out . . . yet allows customer to see everything that's going on. No chance of embarrassing errors!



3. Note how teller has 100% usable counter space inside window for change machines and other equipment. There is no spacewasting cut-away in the counter . . . no "angled-in" counters that leave tellers with skimpy work area. Two big cash drawers are located below counter for coins, bills, storage.



4. Note the completely new 2-way communications system which makes conversations possible in normal tones, while teller's hands are free at all times and vision is unobstructed. Microphone and speakers are above eye-Window has optional defrosters, too, which keep glass clear during winter.

Like to find out more reasons why the Mosler Picture Window is America's finest and most practical equipment for drive-in banking? Mail coupon for brochure, today!



World's largest builders of safes and bank vaults . . . Mosler built the U.S. Gold Storage Vaults at Fort Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima

Fig.	THE MOSLER 320 FIFTH AV Please send me you Mosler Picture W
NAME	

R SAFE COMPANY, DEPT. B-2W VENUE, NEW YORK 1, N. Y.

our new full color brochure outlining all the features of Vindows For Drive-In Banking, as soon as possible.

\_POSITION\_\_\_

ADDRESS\_

(CONTINUED FROM PAGE 132) and better living in Washington Parish. The 8 x 13-inch space is divided between pictures and text.

Ads that we saw were on the pulpwood industry, educational facilities, civic organizations, livestock sale, a Y.M.C.A. football league.

#### In Brief

#### Banking Story

MERCANTILE TRUST COMPANY of St. Louis has a 30-minute 16 mm.

color movie, "The Center of Town," which tells the story of the relationship between a small town bank and its community. It's available to schools, organizations, and banking groups.

#### Mortgage Chat

NEWTON (Mass.) SAVINGS BANK has published the third revised edition of its "Friendly Chat About Individualized Mortgages for Home Owners." This pocket-size pamphlet covers changes in statutes relating to mortgages and changes in the economic situation, including "some data with reference to inflation believed not to be found elsewhere in this form." The over-all purpose is to be helpful to anyone interested in financing a home.

#### Kit for New Staffers

EAST RIVER SAVINGS BANK, New York City, has a new information file kit which is given to new employees. It includes the staff handbook, information on the retirement and hospital-surgical insurance plans, a booklet describing the mutual savings banking system, and a copy of the bank's financial statement.

#### **Opening Features**

The First National Bank of Aberdeen, Md., opened a new drivein with festivities that included a contest: visitors guessed how long a four-foot candle would burn. Savings Bonds were prizes. Architecturally the building is in the Williamsburg tradition, and on opening day the young women of the staff dressed in colonial costumes to greet visitors. Simultaneously, the First's head office nearby had a "know your bank" program. Former U. S. Senator Millard E. Tydings, a director of the bank, spoke at the opening.

#### Hobby Craft Show

A hobby craft show at the Murray Hill office of UNION DIME SAVINGS BANK, New York, provided demonstrations of pottery making, wood carving, weaving, jewelry manufacture, leather working, tactile painting, and portraiture, among other crafts.

#### Wooden Nickels

BELOIT (Wisc.) STATE BANK refunds parking meter costs with wooden "coins." It works this way: You park, feed the meter, and go into the bank. The teller hands out a wooden token and a bank to hold it. After 20 visits—that is, 20 wooden nickels—the bank redeems for \$1 cash or credits your account with \$1. You're on your honor to collect from the bank only when you've parked in a metered stall.

#### **Employee Savings**

"Savings Plans for Corporations" a 16-page booklet published by THE HANOVER BANK, New York City.



Lightweight, low in cost, this centuries-old hat fits a particular need.



Quite a different need is served by this famous hat of the palace guard.

## Carefully fitted protection...

is a major factor in building your business and your reputation as an insurance man. Like other well-established capital stock companies, London & Lancashire's choice of modern coverages gives your assured a "custom fit".

We think you will agree: what serves your assured best is best for your business.

### THE LONDON & LANCASHIRE GROUP

A firm friend of the American Agency System



THE LONDON & LANCASHIRE INSURANCE COMPANY, LTD.
ORIENT INSURANCE COMPANY
LAW UNION & ROCK INSURANCE COMPANY, LTD.
SAFEGUARD INSURANCE COMPANY OF NEW YORK
STANDARD MARINE INSURANCE COMPANY, LTD. (Fire Department)
LONDON & LANCASHIRE INDEMNITY COMPANY OF AMERICA



## PROFITABLE MODERNIZATION-LOAN BUSINESS





This colorful
Youngstown Kitchens
lobby display is building
sound, new business
for leading banks!

As the industry's leader, Youngstown Kitchens has spurred the increase in bank loans for steel kitchens. Here are just a few of the reasons why a Youngstown Kitchen loan is *sound*, new business!

**DURABILITY** . . . Steel units never warp, rot, or swell—last years beyond the duration of the loan!

PUBLIC ACCEPTANCE . . . Youngstown Kitchens, best known in the industry, increase home value.

FLEXIBILITY . . . Widest selection of units puts more value in any given space!

MODERN COLOR... Choice of colors, at no extra cost!

FHA APPROVAL . . . Youngstown Kitchens are fully eligible for F.H.A.-insured loans!

FOR DETAILS on how you can have a Youngstown Kitchens lobby display, phone your Youngstown Kitchens distributor. Or write: Director of Marketing, Youngstown Kitchens, Dept. BA-256, Warren, Ohio.



SOLD IN THE UNITED STATES, CANADA, AND MOST PARTS OF THE WORLD . MULLINS MANUFACTURING CORPORATION . WARREN, OHIO

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## **Economic Growth Is Topic of Annual Meeting**

meetings of the economic and allied social science associations, which met in New York at the end of the year. The central topic was economic growth-but, whereas in previous years retardation, or the eventual automatic decline in the rate of growth, had been of primary concern, attention this time was focused on harnessing the economy

NCREASED interest in monetary pol- so as to keep it moving forward icy was evident at the annual without allowing it to run away. President Allan Sproul, of the New York Federal Reserve Bank, told members of the American Economic Association and the American Finance Association that "Monetary measures have reestablished themselves, and rightly so, as one of the principal means used by governments to try to keep national economies in order without the stifling

restrictions of more direct physical controls."

The rapid expansion of debt was considered to be one of the chief strains on the economy by Alan H. Temple, executive vice-president, The First National City Bank (New York). He warned that these strains may ultimately produce cracks. The growth of consumer credit, due to concentration of income in the middle brackets, as well as the development of new uses and favorable attitudes toward debt, was analyzed by Robert E. Lewis, also of the First National City Bank, who expects a further increase in the use of such credit. Mr. Lewis emphasized that the potential danger in the expansion of consumer credit cannot be measured in reference to historical data, but must take into account the growth in the rest of the economy.

THE need to revise our traditional views of the monetary system and interest rates was also emphasized by John G. Gurley and Edward S. Shaw of the Brookings Institution. who discussed the role of intermediate financial institutions. These institutions have increased the proportion of the national product which they finance at the expense of commercial banks.

The outlook for money rates was based on the general outlook for business. Dr. Marcus Nadler, of New York University and consultant economist to The Hanover Bank (New York), expects a moderate downturn in business activity in the spring of 1956, and predicted an accompanying decline in interest rates, especially short-term rates. On the other hand, James J. O'Leary of the Life Insurance Association of America, believes that we shall witness a further moderate rise in gross national product, and therefore expects a further expansion of bank credit with long-term interest rates remaining firm or moving to somewhat higher levels.

While there was no general agreement in evidence as to the future of the economy, there seemed to be a feeling of confidence that economics had begun to come of age and will be able to control fluctuations in production, employment, and income in the future.



CONDENSED STATEMENT OF CONDITION, DECEMBER 31, 1955

#### ASSETS

Cash on Hand and in Banks		
United States Government Securities .		446,116,291.29
State, Municipal and Other Securities,	including	
Stock of the Federal Reserve Bank .		119,260,166.16
Loans and Discounts		636,040,246.80
Bank Premises		3.007,160.41
Other Real Estate		1.00
Other Assets		6,796,803.46
	-	1 445 041 044 05

#### LIABILITIES

					_	 	
Capital Stock			٠			\$	17,500,000.00
Surplus							57,500,000.00
Undivided Prof	lite	8		٠			10,004,152.14

Capital Funds \$ 85.004.152.14

Commercial and Savings Estates and Corporate Trust .			51.			,1				1,353,462,706.99					
Accrued Taxes, I	nt	ere	est	, 6	etc							٠		_	4,434,598.54
Other Liabilities	٠	٠	٠				٠		۰	۰		۰			4,139,786.38
															\$1,447,041,244.05

United States Government Securities carried at \$125,527,785 70 are pledged to secure U. S. Government Deposits and other Public Funds and for other purposes as required or permitted by law.

Assets are shown NET after deducting Valuation Reserves

Ohio's Largest Bank welcomes individuals and corporations seeking new or additional banking services.

#### **63 CONVENIENT OFFICES**

Northern Ohio: Painesville • Willoughby • Bedford • Solon Lorain and Everywhere in Greater Cleveland COMMERCIAL · SAVINGS

Largest branch banking system between New York and California

730,668 SAVINGS AND CHECKING DEPOSITORS

Member: Federal Deposit Insurance Corporation

Federal Reserve System

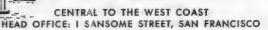
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## STATEMENT

## OF CONDITION

ANGLO SCALIFORNIA NATIONAL BANK



#### ASSETS

	,		
		December 31, 1955	December 31, 1954
	Cash and Due from Banks	\$184,420,504.01	\$167,554,613.68
B   B   B   C   C	United States Government Securities	294,189,415.25	330,481,333.34
DIRECTORS	State and Municipal Securities	66,450,727.09	55,765,346.35
	Other Bonds and Securities	13,413,373.23	10,534,524.33
FRED W. ACKERMAN, President, Pacific Greybound Lines	TOTAL	\$558,474,019.58	\$564,335,817.70
	LOANS		
FRED B. BAIN, Honorary Chairman of the Board,	Commercial Loans	\$178,105,995.18	\$159,080,287.84
Leslie Salt Co.	Real Estate Loans	137,434,959.77	107,384,149.85
OTHMAR BERRY, President,	. Automobile Installment Loans	73,630,535.51	55,454,202.08
Berry Oil Company	Personal and Improvement Loans	41,430,490.81	29,929,923.91
CLYDE H. BRAND, Attorney-at-Law.		\$430,601,981.27	\$351,848,563.68
Downey, Brand, Seymour & Robwer	Less: Reserve for Possible Loan Losses .	6,907,894.06	5,661,634.54
RICHARD D. BRIGHAM,	TOTAL	\$423,694,087.21	\$346,186,929.14
Vice President	OTHER ASSETS		
ALLARD A. CALKINS,	Accrued Income Receivable	\$ 3,613,850.62	\$ 3,284,089.60
Member of the Executive Committee and Retired Chairman of the Board	Stock in Federal Reserve Bank	1,599,300.00	1,575,000.00
	Bank Premises and Equipment	10,828,578.61	9,176,753.88
HARRY F. CAMP, President, Harry Camp Millinery Company	Other Real Estate Owned	54,415.53	47,004.30
WM. HERBERT CARR.	Customers' Liability under Letters of		
Vice President and Treasurer,	Credit and Acceptances	9,772,214.28	8,931,253.08
California Packing Corporation	Other Assets	431,462.24	867,019.62
HARRY D. COLLIER.	TOTAL	\$ 26,299,821.28	\$ 23,881,120.48
Director and former Chairman, Standard Oil Company of California	TOTAL ASSETS	\$1,008,467,928.07	\$934,403,867.32
ADRIEN J. FALK, President, S&W Fine Foods, Inc.	LIABIL	ITIES	
FREDERICK M. FISK,	DEPOSITS		
Chickering & Gregory, Attorneys	Demand Deposits	\$479,436,901.23	\$427,847,325.49
WALTER A. HAAS, SR.,	Time Deposits	348,585,186.65	318,271,818.23
Chairman of the Board, Levi Strauss & Co.	United States Government Deposits	14,423,056.27	17,919,287.76
	Other Public Deposits	79,976,113.69	85,671,753.29
PAUL E. HOOVER, President	TOTAL	\$922,421,257.84	\$849,710,184.77
ERNEST INGOLD, President,	OTHER LIABILITIES		
Ernest Ingold, Inc.	Dividends Payable	\$ 1,599,300.00	\$ 1,312,500.00
OTIS R. JOHNSON, President,	Income Collected in Advance	8,648,361.88	5,755,559.40
Union Lumber Company	Letters of Credit and Acceptances	9,772,214.28	9,248,392.58
PAUL B. KELLY,	Accrued Interest, Taxes, Other Expense.	2,339,816.19	6,356,430.12
First Vice President	TOTAL	\$ 22,359,692.35	\$ 22,672,882.10
JOHN J. REILLY, President,	CAPITAL ACCOUNTS		
Western Department Stores	Capital Stock	\$ 26,655,000.00	\$ 26,250,000.00
CHARLES L. WHEELER,		26,655,000.00	26,250,000.00
Special Vice President, Pope & Talbot, Inc.	Surplus	8,267,268.04	6,310,040.67
	Unallocated Reserves	2,109,709.84	3,210,759.78
HERMAN WOBBER, Twentieth Century-Fox Film Corporation	TOTAL	\$ 63,686,977.88	\$ 62,020,800.45
		\$1,008,467,928.07	\$934,403,867.32
	TOTAL LIABILITIES	\$1,000,707,760.07	\$75T,TU5,0U1.34

On December 31, 1955, securities carried at \$145,048,745.44, were pledged to secure trust deposits, United States Government and other public deposits, as required by law. On December 31, 1954, securities so pledged amounted to \$139,338,281.03.

Member Federal Reserve System • Member Federal Deposit Insurance Corporation

BAKERSFIELD - BERKELEY - CARMICHAEL - CHICO - COLUSA - CONCORD - EUREKA - FAIR OAKS - FRESNO - HAPPORD - HAYWARD - LEMOORE - MAXWELL - MERCED - MODESTO - OAKLAND - OLDALE
PALO ALTO - PITTSBURG - RED BLUFF - REDDING - SACRAMENTO - SAN FRANCISCO - SAN JOSE - SOUTH SAN FRANCISCO - STOCKTON - TAFT - VALLEJO - WEST SACRAMENTO - YREKA

#### DIRECTORS

BARNEY BALABAN President, Paramount Pictures Corporation

EDWIN J. BEINECKE Chairman, The Sperry and Hutchinson Co.

CLINTON R. BLACK, JR. President, C. R. Black, Jr. Corporation

ALVIN G. BRUSH Chairman, American Home Products Corporation

LOU R. CRANDALL President, George A. Fuller Company

CHARLES A. DANA Chairman, Dana Corporation

HORACE C. FLANIGAN President

JOHN M. FRANKLIN President, United States Lines Company

JOHN GEMMELL, JR. Clyde Estates

PAOLINO GERLI President, Gerli & Co., Inc.

EUGENE S. HOOPER Senior Vice President

JOHN L. JOHNSTON Director, Phillips Petroleum Company

OSWALD L. JOHNSTON Simpson Thacher & Bartlett

BARRY T. LEITHEAD President, Cluett, Peabody & Co. Inc.

KENNETH F. MacLELLAN President, United Biscuit Company of America

JOHN T. MADDEN President, Emigrant Industrial Savings Bank

JOHN P. MAGUIRE President, John P. Maguire & Co., Inc.

GEORGE V. McLAUGHLIN Vice Chairman, Triborough Bridge and Tunnel Authority

GEORGE J. PATTERSON President, Scranton & Lehigh Coal Co.

WILLIAM G. RABE Chairman, Trust Committee

HAROLD C. RICHARD

HAROLD V. SMITH Chairman, The Home Insurance Company

L. A. VAN BOMEL Chairman, National Dairy Products Corporation

HENRY C. VON ELM Honorary Chairman

GEORGE G. WALKER President, Electric Bond and Share Co.

## MANUFACTURERS TRUST COMPANY

Head Office: 55 Broad Street, New York

#### 112 OFFICES IN GREATER NEW YORK

Statement of Condition, December 31, 1955

#### RESOURCES

Cash and Due from Banks	\$1,024,445,016
U. S. Government Securities	769,017,430
U. S. Government Insured F. H. A. Mort- gages State, Municipal and Public Securities	73,436,461 174,412,576
Stock of Federal Reserve Bank	4,511,700
Other Securities	38,770,410
Loans, Bills Purchased and Bankers' Acceptances	1,058,200,319
Mortgages	22,310,553
Banking Houses	18,061,398
Customers' Liability for Acceptances	19,181,719
Accrued Interest and Other Resources	7,364,936
_	\$3,209,712,518

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#### LIABILITIES

Capital (2,519,500 shares—\$20. par)	\$ 50,390,000		
Surplus	100,000,000		
<b>Undivided Profits</b>	47,611,046	\$	198,001,046
Reserves for Taxes, Un Interest, etc.	earned Discount,		15,198,338
Dividend Payable Janua	ry 15, 1956		2,015,600
Outstanding Acceptance	<b>S</b>		20,799,126
Liability as Endorser on Foreign Bills	•		16,491,324
Other Liabilities			1,045,369
Deposits		2	,956,161,715

\$3,209,712,518

United States Government and Other Securities carried at \$110,000,660.53 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

> Member Federal Reserve System Member New York Clearing House Association Member Federal Deposit Insurance Corporation

## Small Business Management Courses

(CONTINUED FROM PAGE 76)

- (17) How to use the business development corporations (where available).
- (18) Requirements for loans from Small Business Administration (frequently more stringent than those imposed by local bankers).
- (19) SBA participation loan requirements.
- (20) How to read a balance sheet and operating statement.
- (21) Intelligent use of statistics, ratios, and other figures for benefit of business and bank.
  - (22) Plenty of do's and don't's.
- (23) Discussion of handbooks on finances published by SBA.
- (24) What causes business failures.

#### **Teaching Notes**

Mr. Zarker also included these teaching notes which may be valuable to others approaching a similar project:

"Must be sprinkled with actual examples, humor, understanding, etc. (no jokes). Deliver lectures on a man-to-man basis.

"References to numerous banking articles having to do with small business financing. Appreciated if brief and to the point.

"Discussion periods especially interesting if controlled to allow every one to participate and not allow one (who usually tries) to hog the show.

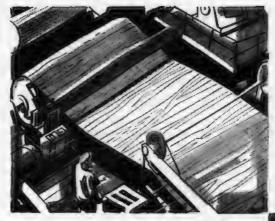
"Course limited to 50 for maximum participation."

Other industries

Other industries, perhaps taking their cue from the educational work of the A.B.A. in advocating management courses for small businessmen, are conducting courses and institutes for their dealers. Cities Service Oil Company and the American Petroleum Institute's Division of Marketing are among those conducting such courses.

As we understand it, foreign businessmen do not object so much to American manners as to American customs.

The nations of the world are so sick of war that to avoid it they will do almost anything within reason except to be reasonable.



### Plywood

Washington State's production of strong, versatile plywood panels reached an all-time high last year, and a continued upswing is expected during 1956. Plywood is one of the many industries that help keep this a Busy Corner of America.

## Washington's Statewide Bank

STATEMENT OF CONDITION
AT CLOSE OF BUSINESS DECEMBER 31, 1955

#### RESOURCES

Cash and Due from Banks	205,027,500.75	
U. S. Government Securities .	166,273,764.38	
Obligations of Federal Agencies	12,617,762.87	
State and Municipal Securities	71,002,823.51	
Other Bonds and Securities .	1,050,005.00	\$455,971,856.51
Loans and Discounts		390,038,943.89
Federal Reserve Bank Stock .		1,080,000.00
Bank Buildings, Vaults, Furniture and Fixtures, etc		8,983,543.18
Interest Earned Not Received.		2,634,032.72
		2,00,4,00,2.72
Customers' Liability under Letters of Credit and Accepta	inces	3,219,810.81
TOTAL		\$861,928,187.11

#### LIABILITIES

Capital Stock \$ 16,000,000	.00
Surplus 20,000,000	0.00
Undivided Profits 19,303,115	.77 \$ 55,303,115.77
Reserve for Interest, Taxes, etc	4,470,580.82
Discount Collected Not Earned	4,853,951.43
Letters of Credit and Acceptances	. 3,219,810.81
Deposits	. 794,080,728.28
TOTAL	\$861,928,187.11

MEMBER FEDERAL DEPOSIT

68 STATEWIDE OFFICES



Washington's Statewide Banking System Surves This Busy Corner of America

#### BOARD OF DIRECTORS

LAWRENCE M. ARNOLD

DON H. WAGEMAN Chairman, Executive Committee

FRANK E. JEROME, President

J. H. BALLINGER
WELLWOOD E, BEALL
HENRY BRODERICK
F. H. BROWNELL
CHARLES F. CLISE
EARL D. DORAN
JOEL E. FERRIS

O, D. FISHER
L. C. HENRY
CHARLES H. INGRAM
ERIC A. JOHNSTON
RICHARD E. LANG
RUSSELL MILLER
B. A. PERHAM
W. G. REED

YOLNEY RICHMOND, Jr WILBUR W. SCRUBY W. ALFRED SHEMANSKI ELBRIDGE H. STUART J. A. SWALWELL GEORGE VAN WATERS KATHERYN WILSON



## Bankers Aid Washington Trade Fair

IRVING PETITE

Bankers from nearly every bank in the Northwest are among leading supporters of a regionally sponsored, trans-Pacific project—the Washington State International Trade Fair.

Washington State International Trade Fair, Inc., is a nonprofit, civic organization for the promotion of international trade and goodwill. The trade is that of the Pacific area, including South America, the South Pacific, the Far East, and South East Asia. The Trade Fair was formed in 1951 and is sponsored by the State of Washington, in cooperation with the port cities, the University of Washington and Seattle University, Rotary International, Chambers of Commerce, and others.

An active participant is Governor

Arthur B. Langlie, who is also honorary chairman of the Trade Fair. Trustees are drawn from civic, business, and community groups.

The Washington State Fourth In. ternational Trade Fair of March 11-25, 1955, had nationals and exhibits from 17 Pacific nations, including Canada, Ceylon, Guam, Guatemala, Honduras, Hong Kong, India, Indonesia, Japan, Korea, Laos. Mexico, Pakistan, Peru, the Philippines, Republic of China, and Viet Nam. Dignitaries from around the Pacific and across the continent met in Seattle. The fair's main purpose was to give foreign exhibitors an opportunity to show quality consumer goods from their homelands to approximately 2,000 buyers from across the United States and Can-

Clarence L. Hulford (vice-president and manager of the foreign department, National Bank of Commerce, Seattle) was chairman of the board; Mr. Hulford had also been president of the 3rd International Trade Fair, and he is now chairman of the budget committee of the 5th Trade Fair. Richard C. MacDonald, a vice-president of Seattle-First National Bank, was treasurer, and Frank Jerome, president of Seattle-First National Bank, was cochairman of the finance committee.

The Fifth International Trade Fair, scheduled for May 4-13, 1956, in Seattle's new Field Artillery Armory will be held with the aid of officers of three other major Northwest banks:

Edward L. Blaine, Jr., vice-president of Peoples National Bank of Washington is one of two vice-presidents of the 5th Trade Fair.

Thomas McQuaid, general manager of the Bank of California (NA) in Seattle, is chairman of the finance committee.

Willard Maxwell, vice-president of Pacific National Bank of Seattle, is treasurer.

Thus three of seven officers of the Washington State Fifth International Trade Fair are important Northwest bankers.

Other bankers who have been closely associated with the Trade Fair and its aims for several years or since its inception in 1951, and who are at present members of the board of trustees, include:

Lawrence Arnold, chairman of the board, Seattle-First National Bank; (CONTINUED ON PAGE 142)





Where time is money, it pays you to send direct...through "18-1"... via air mail field pick-up, day and

for transit mail. Thanks to this great

Commerce Trust "first," our more-

than-1500 correspondent banks now

Ommerce Trust Ompany

Capital Junds Exceed 32 Million Dollars
KANSAS CITY'S OLDEST AND LARGEST BANK
Established 1865 MEMBER FEDERAL DEPOSITION
INSURANCE CONFORMATION

## Decimal conscious Bankers

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KING

You've never heard of Friden Street? Yet probably you're doing business on it! Friden Street in every community is lined with successful firms of every kind, including some of the best banks in town. Business today has pressing need for swift, errorless, more automatic figure-work. With banks this need is primary. So banks by the hundreds have shown the way to other businesses by adopting the Friden Calculator.

The Friden as you know is not an ordinary calculator...It is

The Thinking Machine of American Business.

Without operator decisions...simply by figure-thinking for the operator... the fully automatic Friden performs more steps in figure-work than any other calculating machine ever developed!

Whenever you decide your bank can't longer afford to stay with figuring methods that involve only tables or adding machines, call in your nearby Friden Man! Friden sales, instruction, service available throughout the U.S. and the world, FRIDEN CALCULATING MACHINE Co., INC., San Leandro, California,



AVERAGE DAILY BALANCES **ACCOUNT ANALYSIS** 

> FOREIGN EXCHANGE BOND PRICES

YIELDS



**ACCOUNT COSTS** 

**AMORTIZATION** 

PERCENTAGES AND RATIOS

INTEREST ON NOTES, MORTGAGES, SMALL LOANS

Fred W. Bender, vice-president and manager, Foreign Department, Seattle-First National Bank: Maxwell Carlson, president, National Bank of Commerce. Seattle: Frank Jerome. president, Seattle - First National Bank; Richard C. MacDonald, vicepresident, Seattle - First National Bank; Reno Odlin, president, Puget Sound National Bank; Dietrich Schmitz, president, Washington Mutual Savings Bank; Phil A. Strack, chairman of the executive committee, Peoples National Bank of Washington; and Roy F. Taylor, president, Puget Sound Mutual Savings Bank.

## The A.B.A. Telegraphic Code

#### A RESTATEMENT OF PURPOSE

THE purpose of the A.B.A. telegraphic code is to provide a method of confidential telegraphic communication between member banks and also to provide an economical method of sending messages by wire.

The code is not designed, however, for certain other purposes. For example, the use of the code in and of itself does not constitute authorization to a receiving bank. A bank

should not expect another bank with which it has no correspondent bank relationship to pay out funds on telegraphic instruction by a coded telegram merely because the A.B.A. telegraphic code has been used. A correspondent relationship must first be established. There have been instances in which a bank has used the code to request a bank in another section of the country with which it had no correspondent relationship to pay money to designated individuals. In such instances, the addressee bank refused to comply with the telegraphic instructions because it had not actually received a draft from the sending bank. Where there is a correspondent relationship between two banks with an adequate balance maintained, this problem, of course, does not arise.

The use of the A.B.A. telegraphic code does afford secrecy and economy in communication.

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Another instance of a misunderstanding of the purpose of the code: A bank used the A.B.A. code to advise another bank regarding a collection item. Then it rescinded such advice with another coded telegram. The addressee bank protested the rescinding of the advice because it claimed it should be able to rely on the information in the first telegram as being final, as it was written in A.B.A. code. A telegram, merely by virtue of the fact that it is in A.B.A. code, does not give a more binding or legal effect to a transaction than would any other form of writing between banks. It cannot be emphasized too strongly that the A.B.A. code is designed solely to provide a confidential and economical means of communication between A.B.A. member banks, and no more.

MELVIN C. MILLER

For Impressive
Beauty and Dignity
BANK SIGNS IN
BRONZE OF ALUMINUM

Your bank's name in tasteful and enduring bronze or aluminum is a prestige-building ambassador. Names of your personnel on desk plates of impressive metal and dignity, too.



INDIVIDUAL LETTERS
IN ALL SIZES, METAL OR PLASTIC,
provide ideal permanent signs for
both inside and outside your building. For finest metal signs, desk
plates in metal and plastic, and
display cases at most economical
prices, write for our newest complete catalog today!

DESK NAMEPLATES



2" x 10" one line of copy, \$7.50
21/2" x 10" two lines of copy, \$9.00
on bronze easel — other styles available
"Bronze Tablet Headquarters"

UNITED STATES BRONZE SIGN CO., INC. 570 B'way, Dept. B-1, New York 12, N. Y.

Your directors will be better equipped to direct if they read BANKING!

#### ARO

#### The ARO EQUIPMENT CORP.

Bryan, Ohio

Dividend Notice

The Board of Directors has declared a regular 25c quarterly dividend, payable January 15, 1956, to shareholders of record December 30, 1955. In declaring the 25c dividend for the first quarter of the 1956 fiscal year, it is the intention of the Board to establish a regular dividend rate for the common stock.

L. L. HAWK Sec.-Treas.

December 10, 1955

MIT

## Massachusetts

Investors

Trust
Special Distribution
of Capital Gains

84 cents a share, net long term capital gains, in shares or, at the option of the holder, in cash, payable February 18, 1956 to shareholders of record December 30, 1955.

ROBERT W. LADD,



200 Berkeley Street, Boston

A person may be on the right track and still be going in the wrong direction.

# Continental Illinois National Bank and Trust Company of Chicago

BOARD OF DIRECTORS

WALTER J. CUMMINGS
Chairman

J. Q. ADAMS Real Estate

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CARL A. BIRDSALL

CHAUNCEY B. BORLAND Managing Owner, Borland Properties

CHAMP CARRY
President, Pullman Incorporated

President, Pullman Incorpor
ALFRED COWLES
Cowles Properties

D. A. CRAWFORD
Director, Pullman Incorporated

EDWARD A. CUDAHY Chairman of the Board. The Cudahy Packing Company

JOHN F. CUNEO
President, The Cuneo Press, Inc.

CALVIN FENTRESS, JR.
President, Allstate Insurance Company

LAWRENCE P. FISHER Director, General Motors

CHARLES Y. FREEMAN
Chairman of the Executive Committee
Commonwealth Edison Company

WILLIAM A. HEWITT President, Deere & Company

JOHN HOLMES Chairman of Board Swift & Company

THEODORE V. HOUSER Chairman of the Board Sears, Roebuck and Co.

JAMES R. LEAVELL Banker

WILLIAM H. MITCHELL Partner, Mitchell, Hutchins & Co.

ROBERT H. MORSE, JR.

President, Fairbanks, Morse & Co. PETER V. MOULDER

Executive Vice President
International Harvester Company

H. A. SCANDRETT'
Railroad Executive, retired

FRANK F. TAYLOR Banker

HERMAN WALDECK

Statement of Condition

**DECEMBER 31, 1955** 

#### RESOURCES

Cash and Due from Banks	651,653,605.07
United States Government Obligations	862,980,808.40
Other Bonds and Securities	190,185,098.02
Loans and Discounts	1,010,833,075.37
Stock in Federal Reserve Bank	6,000,000.00
Customers' Liability on Acceptances	1,290,631.41
Income Accrued but Not Collected	8,323,616.38
Banking House	7,800,000.00
	\$2,739,066,834.65

LIABILITIES

Deposits	\$2,473,593,376.34
Acceptances	1,415,255.91
Reserve for Taxes, Interest, and Expenses.	17,421,307.19
Reserve for Contingencies	18,105,362.41
Income Collected but Not Earned	2,126,375.11
Capital Stock (2,250,000 shares. Par value \$331/3)	75,000,000.00
Surplus	. 125,000,000.00
Undivided Profits	. 26,405,157.69
	\$2,739,066,834.65

purposes as required or permitted by law

United States Government obligations carried at \$215,415,993.58 are pledged to secure public and trust deposits and for other

LA SALLE, JACKSON, CLARK AND QUINCY STREETS

LOCK BOX H, CHICAGO 90, ILLINOIS

Member Federal Deposit Insurance Corporation

## Service comes first

#### AT FIRST NATIONAL BANK IN ST. LOUIS

We're looking forward to serving you during 1956. We'll continue to give you the complete and personalized banking service that has won for us the reputation of being "Your Best Midwest Contact."

During the past year we served our correspondents in many ways. For example, we collected almost 21,180,000 items, processed over 2,000 requests for credit information, participated in more than 25,500 transactions for correspondents and other customers engaged in foreign trade, travel and the transfer of funds abroad.

The next time one of our representatives calls on you, or the next time vou're in St. Louis, let's talk over the many ways our complete correspondent services can benefit your bank.









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Statement of Condition, December 31, 1955

\$679,057,375.12

Deposits . . . .

Total Deposits.

#### Resources

Cash and Due from Banks .	\$196,110,763.17
U. S. Government Securities.	154,180,567.09
Loans	245,559,201.64
Loans Wholly or Partially	
Guaranteed by U.S.	
Government	57,346,977.00
Other Bonds and Stocks	14,658,179.60
Stock in Federal Reserve	
Bank	1,050,000.00
Banking House, Improve-	
ments, Furniture and	
Fixtures	6,862,502.52
United Bank Building	508,503.90
Customers' Liability, Letters	
of Credit, Acceptances, etc.	1,174,465.55
Accrued Interest Receivable.	1,530,299.07
Other Resources	75,915,58

#### Liabilities

Capital Stock . . . \$ 15,400,000.00

Capital Diock	φ 10,200,000.00	
Surplus	19,600,000.00	
Undivided Profits .	9,800,192.19	
Total Capital Accounts		\$ 44,800,192.1
Reserve for Taxes,		
Interest, etc		3,308,521.6
Unearned Discount		1,371,533.6
Liability, Letters of		
Credit, Accept-		
ances, etc		1,297,721.2
Other Liabilities		745,321.3
Demand Deposits .	547,089,673.51	,
Time Deposits	69,355,067.43	
U. S. Government	55,555,661.10	
O. D. GOTTEILIGIE		

11,089,344.07

IN ST. LOUIS

Member Føderal Deposit Insurance Corporation

627,534.085.01

\$679.057.375.12

## Successor Management "Timber" in Country Banks

The failure to develop adequate successor leadership is the most glaring weakness in current bank management," said Edgar T. Savidge, deputy manager of the American Bankers Association, in an address on "What Banks Are Doing to Promote Better Relations with Farmers" before the fifth annual Texas Farm and Ranch Credit School for Commercial Bankers, sponsored by Texas A. & M. College, College Station. (Picture on page 68.)

Working bankers from all parts of Texas attended the two-day short course, where they heard specialists in the various agricultural fields outline the current situation.

"Well-trained, efficient, and courteous personnel are one of the most important assets a bank can have," Mr. Savidge added. "Your customers and stockholders have a right to expect courteous and efficient service from intelligent and interested officers and employees. Banks should be hiring and training employees today to become the officers and executives of tomorrow."

#### A Good Solution

In posing the question—"What are country banks doing about this situation and how are they promoting better relations with farmers at the same time?"—Mr. Savidge gave the solution which is being employed by some institutions:

"Many banks of the country, in recent years, have employed farm-trained men to handle their agricultural credits and to promote better farmer relations. This trend is increasing and, frankly, the development is one of the best things that has happened in the banking business.

"What about the country bank that, due to its size, does not warrant a full-time farm representative? The problem is to find young people who are equipped for entry into the banking business in agricultural communities. The situation in many smaller banks is that they are looking for a man who not only can be trained to handle farm loans, but also one who is interested in making banking his career and, more important, a man who is potential officer material.

"A unique program that may be

a big step forward in helping to solve this knotty problem is now under way in Iowa. Iowa State College has revised its curriculum to provide graduates with a background of banking and agriculture. A three-way experiment was entered into by the college, a bank, and a college student. While a junior, the student spent eight weeks at the bank as a part of his college education....

"The bank was pleased with the project; the student welcomed the opportunity; and the college people are enthusiastic about the results."

Mr. Savidge also mentioned two

other states—New York and Kansas—which have similar executive training programs.

Mr. Savidge also recently called attention to the fact that 10 out of 30 seniors in the Department of Agricultural Economics and Sociology of Texas A. & M. College had listed their after-graduation employment preference as agriculturist, economist, or land appraiser of a bank, and pointed to the fact that a number of banks now have as their presidents men who have moved up from the post of bank agricultural representative.

#### "TWICE AS MANY RECORDS IN THE SAME SPACE"

VISI-SARIEM
FILLING SYSTEM
Protected by U.S. Potents

The problem of lack of filing space was solved in the above filing department with the installation of the Visi-Shelf Filing System. Filing capacity was doubled without adding an inch of floor space! Whether just one unit or a hundred, each Visi-Shelf unit saves space, time and money!

Floor Plan of an Actual Filing Area Before Installation of the Visi-Shelf Filing System



This area was occupied by 196 four drawer letter filing cobinets wit a filing capacity of 784 drawers or 20,776 filing Inches. Floor Plan after Installation of the Visi-Shaif Filing System

90 Visi-Shelf Filing Units, occupying less than half the original filing area, hold all of the records previously filed in the entire filing area! These units, with a filing capacity of 25,380 filing inches offer 4,604 more filing inches — an increase of 259% in filing capacity.

A survey of your filing
FILE SURVEY area and a manual
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Is yours at no obligation



Visi-Shelf Units are available with doors for maximum record protection; without doors where dust protection is not essential; or in a combination of both!

Visi-Shelf File, Inc. 105 Reade Street New York 13, N. Y. Please send the following:

File Survey Form

Manual on Terminal Digit Filing
Catalog & Name of nearest distributor

Firm Name...

City......State.....

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## **Bankers Look Ahead**

Here are some bankers' comments on business and the 1956 outlook. The excerpts are taken from bank pamphlet reports for 1955.

#### USING CREDIT WISELY

The First National City Bank of New York: HOWARD C. SHEPERD, chairman of the board; ALEXANDER C. NAGLE, chairman of the executive committee; James S. Rockefeller,

president; RICHARD S. PERKINS, vicechairman of the board.

N some manufacturing industries I immediate demand is greater than present capacity can satisfy. To add excessively to demand through unwise credit expansion, when an equivalent increase in output cannot be achieved, could only have inflationary effects.

It is appropriate in these circumstances to remind both lenders and borrowers that it is necessary to use credit with discrimination. This is the effect of the policy of restraint which the Federal Reserve authorities are now following. In our opinicn this policy is being carried out with skill and moderation. It has put a brake on the expansion of the money supply, which is desirable in the present state of optimism and increased use of borrowed money, but it has not closed the door to credit extension for purposes consistent with stable economic growth.

#### CONDENSED

## Statement of Condition

AT CLOSE OF BUSINESS DECEMBER 30, 1955

#### DIRECTORS

HERBERT D. IVEY Chairman of the Board

ROY A. BRITT President

CARL E. BAKER MILO W. BEKINS W. I. BOYLE WALTER H. BUTLER RALPH J. CHANDLER EUGENE P. CLARK DWIGHT L. CLARKE T. B. COSGROVE A. M. DUNN ERNEST E. DUQUE L. O. IVEY EARLE M. JORGENSEN KENNETH T. NORRIS GEORGE A. PARKER SAMUEL K. RINDGE WILLIAM S. ROSECRANS W. A. SIMPSON RON STEVER KENNETH B. WILSON

#### RESOURCES

Cash and Due from Banks	\$108,261,750,76
United States Government Securities .	183,194,304,20
Obligations of Other Federal Agencies	8,773,125.00
State, County and Municipal Securities	20.680,092,77
Loans and Discounts	150,266,341.07
Federal Reserve Bank Stock	660,000.00
Stock in Commercial Fireproof Building	,
Co Head Office Building	348,500.00
Bank Premises and Furniture and	
Fixtures	4,418,968.19
Other Real Estate Owned	1.00
Customers' Liability under Letters of	
Credit and Acceptances	956,512.26
Earned Interest Receivable	1,760,626.07
Other Resources	202,563.35
TOTAL	\$479,522,784.67

101	AL		٠			*	٠	۰	٠	٠	\$479,522,784.67
LIABIL	ITH	E S									
Capital S	tock										\$ 7,000,000.00
Surplus											15,000,000.00
Undivided	Profi	ts									6,160,959.85
SUB	-TOT	AL									\$ 28,160,959.85
Reserve fo	r Taxe	s, I	Ex	pen	ses,	Et	c.				1,737,216,15
Discount	Collect	ed		Une	ean	ned					2,313,144.32
Letters of	Credi	aı	nd	Ac	cep	tan	ces				956,512.26
Other Lial	bilities										4,386,006.43
Deposits											441,968,945.66
TOT	AL										\$479,522,784.67

Head Office: Fifth & Spring Streets, Los Angeles Hill Street Office: 736 So. Hill Street oway Terminal Office: 439 So. Hill Street nveniently located branch offices in the greater Los Angeles area

OF LOS ANGELES

Member Federal Reserve System Member Federal Deposit Insurance Corporation

#### MOMENTUM AND PERSPECTIVE

The First National Bank of Chicago: EDWARD E. BROWN, chairman; JAMES B. FORGAN, vice-chairman; HOMER J. LIVINGSTON, president.

HOULD the factors which stimu-S lated the economy in 1955 continue into the new year, the various sectors of our society, including industry, labor, management and customers, should be prepared to temper their demands. To defer expenditures to some later date would be in their individual and collective selfinterest. To press demands or to raise prices, at such a time, would be to exploit a temporary situation and would bring only illusory bene-

The present bouyancy which characterizes nearly all segments of our economy, and the optimism which seems to dominate the plans of businessmen and consumers alike could cause them to lose their perspective. But if confidence is tempered by judgment and ambition by character, we can be reasonably sure of continued economic progress in 1956.

#### A WORD TO BOTH PARTIES

Guaranty Trust Company of New York: J. LUTHER CLEVELAND, chairman; WILLIAM L. KLEITZ, president.

THE business outlook for 1956 and beyond must be viewed in the light of the approaching national elections. To assure the continuance of a governmental environment in which the economy can function

(CONTINUED ON PAGE 148)



# CHASE MANHATTAN BANK

STATEMENT OF CONDITION, DECEMBER 31, 1955

## RESOURCES

Cash and Due from Banks	\$1,943,005,885
U. S. Government Obligations	1,230,522,456
State, Municipal and Other Securities	486,375,921
Mortgages	141,424,492
Loans	3,510,002,858
Accrued Interest Receivable	17,371,591
Customers' Acceptance Liability	101,261,850
Banking Houses	58,980,360
Other Assets	20,302,191
	\$7,509,247,604
LIABILITIES	
Deposits	\$6,789,358,288
Foreign Funds Borrowed	3,524,458
Reserve for Taxes	25,029,538
Other Liabilities	49,938,774
Acceptances Outstanding \$111,961,923	
Less: In Portfolio 4,583,474	107,378,449
General Reserve for Securities	7,584,545
Capital Funds:	
Capital Stock \$150,000,000 (12,000,000 Shares—\$12.50 Par)	
Surplus 300,000,000	
Undivided Profits	526,433,552
	\$7,509,247,604

United States Government and other securities carried at \$407,945,073 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

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(CONTINUED FROM PAGE 146) and grow in a healthy way, it is essential that both of our major political parties accept the high responsibility that properly goes with a position of power. Things will have come to a sorry pass if one individual or one party ever becomes the sole custodian of the economic health of a great nation. Both parties can and should renounce vote-catching slogans and demagogic devices and stand firm for the principles which their responsible leaders

know to be conducive to well-founded and lasting prosperity.

Fortunately, there have been some signs during the last few months that such a quickened sense of public duty is tending to develop. If these signs are to be relied upon, business can proceed with every reasonable assurance that, irrespective of party nominations and elections, it will be permitted to operate in a governmental atmosphere in which it can continue to prosper and serve the general welfare.

If You're Looking for Trust Advertising That Really SELLS

VISIT

## KENNEDY SINCLAIRE'S

Display Booth at the MID-WINTER TRUST CONFERENCE

...Coffee ...

KENNEDY SINCLAIRE, INC.

140 CEDAR STREET NEW YORK 6, N. Y.



## IN JACKSONVILLE

. . . where an excellent land-locked natural harbor with a thirty-four foot channel to the Atlantic Ocean has been conducive to many industries locating here because of the availability of water transportation facilities. We have been serving our State and Community for 79 years.

## THE BARNETT NATIONAL BANK

of Jacksonville

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

### MANAGEMENT AND JUDGMENT

LaSalle National Bank, Chicago: John C. Wright, president and chairman.

Most economists predict a high level of business activity in the early months of 1956. Under the circumstances, it seems logical to expect a continuation of monetary policies designed to keep credit tight.

From the viewpoint of the nation's banks, there will continue to be a restrictive influence on the deposit growth. However, an increase in the ratio of earnings to invested dollars may also be anticipated as the effect of the higher interest rate pattern continues to be felt. Careful management and sound judgment will remain of paramount importance in the making of both commercial and consumer credit loans.

#### ABOVE ALL. IMAGINATION

Bank of Montreal: Gordon R. Ball, president.

CUSTOMER is apt to regard good A banking as the kind of banking that results in a cheerful "Yes" to his application for credit. Bankers like to have it that way, too; after all, they are in the business of lending money. But a banker doing business in an expanding economy needs above all else imagination—the kind of imagination that can see not only soundly based and legitimate growth but can also recognize a project that is the product of hopes and not much else. In other words, we are apt to forget that good banking, in the interests of the economy and the individual, occasionally requires the unpopular course of saying a word of restraint.

#### POSSIBLE WEAK SPOTS

National Bank of Commerce, Memphis: W. B. POLLARD, president.

Four points which could prove to be weak spots: (1) Heavy debt for residential building and an excess of residential building in some areas, with resulting falling prices in old houses and increasing numbers of houses for rent; (2) high consumer credit; (3) possible decline in inventory buildup; and (4) prospective further decline in farm income. However, forecasters seem to be in general agreement that 1956 will be a good business year.



## MICHIGAN NATIONAL BANK

BATTLE CREEK

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ELINT

Cash and Due from Banks...... \$ 52,931,473.00

GRAND RAPIDS

LANSING

MARSHALL

PORT HURON

SAGINAW

## STATEMENT OF CONDITION

December 31, 1955

#### ASSETS

U. S. Government Securities	22 446 977 13	
	55,434,230.91	\$240,812,581.04
Loans—Other		168,554,973.64
Bank and Office Buildings		7,380,466.11
Federal Reserve Bank Stock		390,000.00
Accrued Income		940,742.20
Other Assets		958,345.50
Total Assets	• • • • • • • • • • • •	\$419,037,108.49
LIABILITIES		
Commercial Deposits\$1	84,806,864.30	
Savings Deposits 1	95,850,566.00	\$380,657,430.30
Other Liabilities		4,697,880.41
Deferred Income		12,061,266.08
Preferred Stock\$	1,000,000.00	
Common Stock	6,000,000.00	
Surplus	6,000,000.00	
Profits and Reserves	8,620,531.70	21,620,531.70
Total Liabilities		\$419,037,108.49

## OPEN EACH WEEKDAY INCLUDING SATURDAY UNTIL 4:30 P.M.

Member Federal Reserve System Federal Deposit Insurance Corporation

# "This machine reduces our unusable punch card loss from 10% to 1%!"

## CUMMINS Carditioners Straighten Crumpled Edges, Flatten Warped Cards, Iron Out Creases, Preserve Exact Original Dimensions!

Before Equitable Trust Company installed their Cummins Carditioner, approximately 10% of the punch card type checks received could not be run through tabulating, sorting machines because of damage. Their new Cummins Carditioner reduces rejects to less than 1%... and, they now handle punch cards in one quarter of the time!

This is a typical example of how the Cummins Carditioner can help you get the *most* from your punch card equipment, in both added efficiency and in all the numerous uses for punch cards—payroll checks, money orders, statement forms, requisitions, reply cards and product tags, to mention a few.

The Cummins Carditioner actually reconditions damaged punch cards that will not go through tabulating, sorting machines — any make. It renews the entire card, including both long edges. Creases, crumpled edges disappear; original length is re-established. Cards damaged beyond repair, and those bearing foreign objects such as paper clips, staples, adhesive stamps and mending tape, are sorted out and collected in a separate bin for hand inspection.

This new "running mate" to your tabulating equipment handles 51, 80 and 90 column cards...automatically...up to 275 cards a minute! The Carditioner—like Cummins Check Signers, Endorsers and Perforators—is designed to help you keep abreast of the latest developments in your business. Contact your Cummins representative...listed in your classified telephone directory.



SEE FOR YOURSELF... get your free copy of this detailed new catalog describing the Cummins Carditioner.

as reported by Mr. Clarence Rodekurt, Vice President in Charge of Operations, EQUITABLE TRUST COMPANY, Baltimore, Maryland The Carditioner operates on any desk or table - only 40 inches long, 16 inches high, 12 inches wide. IN BUSINESS AND BANKS

SALES AND SERVICE IN ALL PRINCIPAL CITIES

Division of Cummins-Chicago Corporation 4740 North Ravenswood Avenue, Chicago 40, Illinois

## **Evaluation**

(CONTINUED FROM PAGE 45)

598, The United States Court of Appeals, Third Circuit, held that, where the corporation's underlying assets consisted of listed stocks, the mean of the values multiplied by the number of shares did not necessarily determine the value. The court stated that due regard must be given to the close corporation's earning and dividend paying capacity. By the same token, liquidation expense and corporate income taxes should be considered in determining the value if the underlying assets have appreciated in value.

The book value of stock is to be given some weight in valuation but it is far from conclusive. In closely held corporations the earnings record will be given considerable weight. The dividend record will be given little weight unless the stock in question is a bona fide minority interest.

## Mortgages, Notes, and Cash

Mortgages and notes are usually returned at face value, but certain factors tend to cause a lower value. These factors are: no interest or a low interest rate, inadequate security, death of the maker, insolvency, running of the statute of limitations, and dispute as to amount.

Checking accounts in solvent banks offer no valuation problem. Savings accounts should be valued at the amount of the account without any accrued interest from the last interest payment date, as withdrawal would result in forfeiture of interest.

#### Insurance

Generally life insurance on the life of the decedent is included in his estate at the amount of the proceeds, including post mortem dividends. If the insurance is payable over a period of time the includible amount is the amount which would have been paid at date of death had the policy so provided. This is usually the "face" amount plus dividends or other credits.

If the insurance contract was on the life of another (or includible because it was the subject of a gift made in "contemplation of death") the value to be used is the replacement value at the applicable date and at the attained age. The cash



RETAIL SALES in Southern California during the past year were at the highest level in history—exceeding the 1954 total by approximately 14½%. For the 14 southernmost counties of the state, retail sales were estimated at \$10,890,000,000. In the Los Angeles Metropolitan Area the estimated 1955 total was \$7,660,000,000—a gain over 1954 of more than 15%. The 1954-55 increase for the United States as a whole is estimated at 8%.

Climbing to levels never previously approached, the 1955 retail volume average of \$1,335 per capita in Southern California was 10% above the 1954 figure—and nearly 19% over the national average. The Los Angeles area per capita figure of \$1,363 was 21% above the average for the nation.

BOARD

of

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and President,
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of California
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President, Carnation Co.
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Vice President and General
Manager, Limoneira Co.
Edward R. Valentine
Chairman of the Board
and President,
Robinson Building Co.
George M. Wallace

Chairman
Managing Committee
C. T. Wienke
Senior Vice President
John C. Wilson
Surgeon

SECURITY-FIRST NATIONAL BANK OF LOS ANGELES

## STATEMENT OF CONDITION

**DECEMBER 31, 1955** 

### RESOURCES

Cash and Due from Banks	\$ 428,990,195.95
U. S. Government Securities \$ 960,414,948.52	
State and Municipal Securities 74,543,574.97	
Other Bonds and Securities 31,233,689.95	1,066,192,213.44
Loans (less reserves)	632,441,331.73
Earned Interest Receivable	6,217,213.90
Customers' Liability-Accept. and L/C	3,572,826.66
Bank Premises	3,756,008.33
Other Assets	222,490.83
TOTAL	\$2,141,392,280.84

#### LIABILITIES

Capital\$	50,000,000.00		
Surplus	50,000,000.00		
Undivided Profits	42,294,239.61	\$	142,294,239.61
Reserves for Interest, T	axes, etc		14,340,635.56
Interest Collected-Une	arned		4,851,299.27
Acceptances and Letters	of Credit		3,572,826.66
Other Liabilities			370,299.30
Deposits-Time \$	620,677,645.56		
-Demand . 1	,355,285,334.88		,975,962,980.44
TOTAL		\$2	2,141,392,280.84

Securities carried at \$220,808,827.24 are pledged to secure trust funds and U. S. Government, State and other Public Moneys, and for other purposes as required or permitted by law.

143 Offices and Branches serving Central and Southern California

Member: Federal Reserve System, Federal Deposit Insurance Corporation



# We had a good year, too...

In the year past at Continental Bank we . . . Increased our total resources \$6,913,863.67.

Increased our surplus \$100,000 and added \$306,913.88 to our reserves.

Paid our 286 staff members a Christmas bonus totaling \$105,000 and a mid-year "cost-of-living" bonus equal to one month's salary.

Earned from operations \$627,728.34 (or \$3.49 per share on 180,000 shares of common capital stock) after taxes.

The Continental Bank and Trust Company

OF SALT LAKE CITY

MAIN OFFICE: 200 South Main Street
CENTRAL BRANCH: 1575 South Main Street



Member Federal Reserve System 

Member Federal Deposit Insurance Corporation

surrender value is not the amount to be used, as it would usually cost more than such amount to replace the policy. The case of Richard du Pont 18 T.C. 1134 offers an excellent example of this rule.

The replacement value yardstick is also used in valuing annuities. The insurance underwriter can be of great help in valuing insurance policies and annuities, as he is usually in a position to know what the replacement cost would be.

## Other Miscellaneous Property

Property rights, contingent in amount at the date of planning or the date of death, need not be included at the hoped for amount, even if later collected in full. The fair market value of the claim is used. ti

Proprietorship and partnership interests are valued by giving some consideration to earnings record for a representative number of years before the applicable date. The Treasury Department has put too much emphasis on earnings records by applying formulas contained in a ruling of 35 years ago. This ruling is known as ARM (Appeals and Review Memoranda) 34. One formula contained therein was to take the average earnings for a 5-year period, subtract therefrom 10% of the average tangible assets, and multiply the remainder by five to secure a "goodwill" figure. The goodwill was then added to the value of the other assets to obtain a total value. This ruling was issued to help determine the March 1913 valuation of distilleries which were put out of business by the 18th Amendment. The ruling was an aid in valuation of corporate stocks but should not be used in valuing proprietorship and partnership interests unless proprietor salaries and equivalent franchise taxes and income taxes are allowed as deductions in computing net income.

A corporation is allowed to deduct officers' salaries and taxes.

In the following cases the courts reduced the Commissioner's valuations drastically:

A. Bluestein 15 Tax Court 770 Leopold Kaffie 44 B.T.A. 843 George Marshall Trammell 18 T.C. 622

In these cases the proprietorship or partnership involved had made a net profit, before proprietorship salaries and income taxes, far in excess of 10% of capital employed.

## Monetary Policy

(CONTINUED FROM PAGE 44)

uting to our survey believe that this policy is too narrow. In their judgment, there may be times when monetary policy can be more effective by operating in other sectors of the market.<sup>1</sup>

Most of the contributors, however, do not regard this matter as being of major importance at the present time.

## Use of the Discount Window

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Much greater concern is evinced over various aspects of rediscounting. This is hardly surprising in view of the fact that, as shown by Chart I, the importance of rediscounting has increased enormously in recent years.

Comments relate chiefly to two main questions:

(1) The conditions under which and the purposes for which member banks may borrow at the Federal Reserve.

(2) The occasional use of rediscount policy as a method of discouraging credit expansion.

As regards the first of these points, the principles governing member bank borrowing are supposedly set forth in Regulation A revised as of February 15, 1955. Some bankers find this statement adequate but many do not. According to the president of one of the largest banks in the Middlewest, "there is considerable uncertainty as to what represents a legitimate reason for borrowing from the Federal Reserve." In the words of an eastern banker, "a great deal of confusion prevails."

Some observers not connected with banks share this view. One reports: "I find the revised Regulation A as vague as the one it superseded." A former superintendent of banks comments that "the Fed could do a better job of explaining itself."

Getting down to specifics, one banker states that "it is not clear how far the regulation contemplates that borrowing may be used for seasonal needs." Another specifies that "it is not clear whether the discount window may appropriately be used to finance an increase in business inventories resulting from a cyclical rise in business activity."

What are the implications of this situation for monetary management? As is reflected in Charts I and II, Federal Reserve policy in recent years has functioned largely through its influence on the volume of member bank borrowing. This being the case, can monetary policy achieve maximum usefulness if confusion prevails with respect to the principles governing such borrowing?

Many think not. To quote one bank economist, "this confusion has handicapped the System in its efforts to use monetary controls." He adds incisively: "It does not seem possible to evolve a logical discount rate policy . . . without first defining policy with respect to the normal availability of discount accommodation." A well known professor of banking makes the point that "the effectiveness of free markets depends on widespread knowledge of the rules of the game."

In short, many men of judgment both in and outside the banking system would endorse the recommendation of the president of a large eastern bank that there is "definite need for further clarification of Federal Reserve point of view regarding what constitutes an appropriate use of the discount window."

## Is Rediscount Policy Flexible?

Confusion also exists regarding the second point mentioned above: the use of rediscount policy to curb credit expansion.



"Since I bought those noiseless typewriters, I can't tell whether the girls are working or not!"

First there is a question of fact. Do the Federal Reserve authorities contemplate that, in addition to raising the discount rate, they may at times adopt a stricter attitude toward member bank borrowing?

The great majority of both bankers and economists answer this question affirmatively. This does not, of course, imply a belief that the Federal Reserve would ever close the discount window but simply that it might at times follow a general policy of discouraging member bank borrowing.

Those who hold this view cite the revised language in the foreword of Regulation A which, as they interpret it, puts new emphasis on the relationship between the total volume of member bank borrowing and the objectives of monetary policy. They also point to early 1953 as an example of a strict attitude toward rediscounting. Recently, for example, the *Monthly Letter* of the First National City Bank of New York mentioned in a purely matter-of-fact manner that early in 1953 "banks were discouraged from borrowing."

And yet there are some well-informed bankers and economists who believe that this interpretation of Federal Reserve policy is erroneous. In support of their position, they point to the statement by the Reserve authorities that the revision of Regulation A "is not intended to further restrict" access to Federal Reserve credit. As for the 1953 experience, they contend that the Reserve authorities made more telephone calls to borrowing banks at that time simply because more banks were tending to abuse the borrowing privilege.

One authority on central banking has suggested that the answer may lie in between: namely, that at certain times the Reserve authorities look more closely for abuses than at others. There may be something to this, but it does not exactly clarify the picture.

Rather an anomalous situation, is it not? Changes in the Reserve banks' attitude toward rediscounting are potentially an effective method of restraining credit expansion. Yet one cannot prove whether this technique has in fact been used in the past or say whether it might be used in the future.

Would this be a desirable method of credit control under some circumstances? There is widespread agree-

<sup>&</sup>lt;sup>1</sup>For a discussion of the pros and cons of this issue, see "How Should Monetary Policy Be Operated?" by E. Sherman Adams in the September 1954 issue of BANKING.

ment, of course, that the Federal Reserve's attitude toward discounting should ordinarily be reflected primarily in changes in the rediscount rate. Bankers are about evenly divided as to whether the Reserve authorities should at times adopt a stricter attitude toward member bank borrowing. Economists, on the other hand, by a large majority, think that policy should not be inflexible and that conditions sometimes justify the use of this method of credit control.

Assuming such a policy, how should it be implemented? Most

bankers and economists favor simply conversations between the Reserve banks and individual member banks. Some, however, would like to see such action supplemented by public pronouncements by the Reserve authorities. It is held that the banks could better cooperate with monetary policy if the Reserve authorities were to tell them what the

One proposal that has received some attention recently is that the Federal Reserve might at times institute a progressive scale of discount rates varying with the dura-

tion and relative amount of borrowing-relative, for example, to the borrowing bank's required reserve. This would provide an impersonal method of penalizing banks that tend to overdo their borrowing. Many contributors think that this idea is worth exploring. Others fear that it would "probably be too mechanistic and might involve unforeseen complications and prob-

Finally, the impression is fairly widespread that at times there have been appreciable differences in the attitudes of various Reserve banks toward member bank borrowing. Some bankers think this is all right, that within the general framework of Regulation A, each Reserve bank should largely determine how strictly it should administer rediscount policy under varying conditions. A majority, however, both among bankers and economists, believes that policy should be fairly uniform in all Federal Reserve dis-

ing of the discount mechanism. Perhaps some of these questions deserve further consideration, or at least clarification, by the monetary authorities.

Judging from the results of the survey, therefore, there would seem to be a number of unanswered questions with respect to the function-

In conclusion, it should again be emphasized that the comments presented in this article do not add up to a disparagement of monetary management. Since 1951 we have been relearning how to operate and how to live with flexible monetary policy under greatly changed conditions. It would be truly amazing if, with the benefit of hindsight, the record for such a period could be evaluated as having been 100% perfect. It is simply a matter of common sense to examine this experience critically to the end that monetary policy may be made even

tricts.

more effective in the future.

In the old days history was made for a tenth of what it costs today.

Today a dollar earned is a nickel saved.

The average motorist is sure he drives carefully, but the fellow ahead always stays too close.



is a Long Time

And the loss of the major support of a household-forever-can cause emotional and financial turmoil that may disrupt lifelong plans. Only time and faith can heal emotional hurt. Financial changes can be more readily overcome.

Your customers desire a service that will help preserve the financial stability of a household during critical periods.

Republic's new Critical Period plan guarantees inths' payments in event of the mortgagor's id can make 12 months' payments in case disabling sickness or illness.

The cost is low. There is no differential in premium because of age. No medical examination is required. There is never any repayment. Handling is very simple. No extra help is required.

Old Republic's Critical Period plan is something your customers want. It is good business for both of you.

A letter, wire or phone call will bring the man from Old Republic to your desk with full information.



Chicago 1, Illinois

# IRVING TRUST COMPANY

## **NEW YORK**

## STATEMENT OF CONDITION, DECEMBER 31, 1955

			ASSE	T!	5		
Cash and	Due	from	Banks			S	506,916,880

\$ 200,910,000
395,422,004
23,150,178
3,150,000
9,845,796
431,567,978
, ,
86,055,337
7,019,956
630,457,233
723,532,526
21,007,938
1,936,883
22,944,821
16,947,737
10,511,000
25,297,562
20,271,002
5,893,001
\$1,733,100,505
91,100,100,000
\$1,558,167,779
11,987,684
2,500,000
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27,589,533
6,423,877

## CAPITAL ACCOUNTS

Total Liabilities . . . . . . 1,606,668,873

Capital Stock (5,000,000 shares—\$10 par)	50,000,000
Surplus	55,000,000
Undivided Profits	21,431,632
Total Capital Accounts	126,431,632
Total Liabilities and	

Capital Accounts . . . . \$1,733,100,505

U. S. Government Securities pledged to secure deposits of public monies and for other purposes required by law amounted to \$55,356,370.

#### DIRECTORS

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President

HARRY E. WARD
Honorary Chairman

HENRY P. BRISTOL Chairman, Bristol-Myers Company

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United States Tobacco Company

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President,
Reiss Manufacturing Corporation

HERBERT E. SMITH Former Chairman of the Board and Chief Executive Officer, United States Rubber Company

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E. E. STEWART

New York, N. Y.

FRANCIS L. WHITMARSH

President,

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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## Government Bond Portfolio

(CONTINUED FROM PAGE 55) Someone has to determine how much or when his bank should borrow. and, at settlement date, whether the "bisque" should be employed or set-

> TAX REPORTS CAPITAL EXPEND

DEPRECIATION

INSURANCE ASSETS EVALUATION

LOSS AND THEFT

tlement completed by borrowing. And who, in a given bank, employs excess funds by sale of "Fed funds" to other banks or decides instead to buy Fed funds, and who handles the details? The answer is obvious; it fits perfectly into the portfolio and bond department operations.

And by the same token, the "feel" of the market and intimate knowledge of changes or fluctuations in the money market put the officers of the bond department in an excellent position to advise the officer lending to Government dealers and other dealers as to the proper rate to ask his customers.

## IF PROPERTY CONTROL IS YOUR PROBLEM SERIALLY NUMBERED WILL HELP YOU Three Ways!

UPKEEP AND REPAIR TRADE.INS TRANSFERS

If unattractive, illegible, difficult-to-mount identification devices are causing your property control problems, it's time to start using Serially Numbered "AUTOGRAPHS"! Mount them proudly "outfront" on your finest equipment! They're beautifully lithographed on lustrous Aluminum. Elimin ate errors in recording! The easy-to-read numerals can be seen at a glance. Substantially reduce identification costs! Anyone can mount Serially Numbered "AUTOGRAPHS" quickly, safely and permanently on almost any clean surface. Simply brush solvent on the adhesive backing and press into place. Presto, you've eliminated three major causes of property control inefficiency!

Write today for "try before you buy" samples and Property Con-trol Procedure Pamphlet No. 262.

METALERALT INC. BOX 979N MASON CITY, IOWA



small coins into dollars

Make Visabank—the popular home savings bank, your top salesman for new accounts. It works for you seven days a week. Made of crystal clear plastic. Top and base in choice of seven colors. Depositors actually SEE their savings grow.

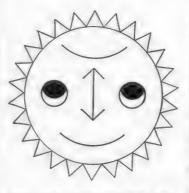
Your name is stamped in gold on the front . . . your sales message is printed on card at rear.

Visabank is self liquidating . . . it pays for itself.

Write for full information.

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twice as many could be saved. cer death is a needless death... tell us, is that every third can-The tragic fact, our doctors



### LET'S LOOK AT THE BRIGHTER SIDE

Many thousands of Americans are cured of cancer every year. More and more people are going to their doctors in time...To learn how to head off cancer, call the American Cancer Society or write to "Cancer" in care of your local Post Office.

American Cancer Society

#### As to Dealers

A word about the Government dealers with whom the portfolio man has to work. As a whole, and almost without exception, they are high grade, honorable, well informed, and as keen as most men handling the portfolio. In my 22 years of dealing with them there has never been a "misunderstanding" nor a cause for accusations of sharp dealing. A good policy is to make certain that the dealer with whom you are working on your portfolio is allowed to earn a fair amount on his trade with you. but, of course, never too much. Tell him something in confidence and he'll keep it in confidence; try to outsmart him by playing one dealer against another and the chances are that he'll be able to outsmart you. By making the man who services your account a friend of yours, he will, in turn, help in keeping you posted and supplying you promptly with news of important developments. Most of the Government dealers know their central banking and, of course, their markets. The Governmental Securities Committee of the Investment Bankers Association is so highly regarded that for years it has been regularly consulted by the Treasury Department.

A final word, and this time it is advice to portfolio men and others in bond departments. Always remember that you are not an isolated member of the team of bank officers, but an integral part of the operation of the bank. Work with the loaning officers; give them helpful information on interest rates, on Treasury financing, on any new development in your field; visit with their customers any time you are asked to help; take an active part in civic affairs of your community; know your bank's good customers; help bring in new business; give a hand to your trust department; make yourself a welcome friend to every department

in the bank.

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# The First National Bank of Chicago

Statement of Condition December 31, 1955

#### Board of Directors

EDWARD E. BROWN

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CHESSER M. CAMPBELL President, Tribune Company

J. D. FARRINGTON
President, Chicago, Rock Island
and Pacific Railroad Company

MARSHALL FIELD, JR.
Editor and Publisher,
Chicago Sun-Times

JAMES B. FORGAN Vice-Chairman of the Board

WALTER M. HEYMANN Executive Vice-President

HENRY P. ISHAM
President, Clearing Industrial
District, Inc.

JAMES S. KNOWLSON Chairman of the Board, Stewart-Warner Corp.

HOMER J. LIVINGSTON President

HUGHSTON M. McBAIN Chairman of the Board, Marshall Field & Company

BENTLEY G. McCLOUD
Banker

HARRY C. MURPHY
President, Chicago, Burlington
& Quincy Railroad Company

Louis B. Neumiller Chairman of the Board, Caterpillar Tractor Co.

JAMES F. OATES, JR. Chairman, The Peoples Gas Light and Coke Co.

WILLIAM WOOD PRINCE President, Union Stock Yard and Transit Company of Chicago

CLARENCE B. RANDALL
Chairman,
Inland Steel Company

GILBERT H. SCRIBNER
Winston & Company

R. DOUGLAS STUART Director, Quaker Oats Company

LOUIS WARE
President, International
Minerals a Chemical Corp.

C. J. WHIPPLE
Chairman of the Board,
Hibbard, Spencer, Bartlett & Co.

JOHN P. WILSON Wilson & McIlvaine

ROBERT E. WILSON
Chairman of the Board,
Standard Oil Company (Indiana)

ROBERT E. WOOD Chairman, Finance Committee, Sears, Roebuck and Co. ASSETS

ASSEIS	
Cash and Due from Banks	\$ 680,977,525.26
United States Government Obligations	792,397,000.85
Other Bonds and Securities	156,247,114.64
Loans and Discounts	1,330,090,158.77
Real Estate (Bank Buildings and Adjacent Property)	1,441,687.81
Federal Reserve Bank Stock	6,300,000.00
Customers' Liability Account of Acceptances .	2,082,737.53
Interest Earned, not Collected	6,560,994.84
Other Assets	612,646.46
	\$2,976,709,866.16

#### LIABILITIES

Capital Stock .									\$ 100,000,000.00
Surplus									110,000,000.00
Undivided Profits									8,239,470.76
Discount Collecte	d, but	not	Earn	ed					3,147,394.80
Dividends Declar	ed, bu	t Un	paid						2,000,000.00
Reserve for Taxe	s, etc.								32,471,631.29
Liability Account	of Ac	cept	ances						3,025,278.42
Time Deposits .						538,04	,		
Demand Deposits					1,	976,66	6,083	3.73	

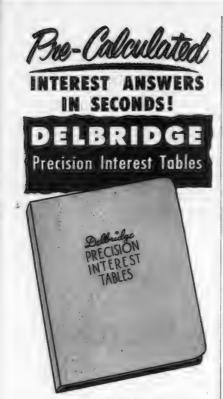
United States Government obligations carried at \$276,366,750.00 are pledged to secure United States Government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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\$2,976,709,866,16

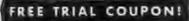


Now you can figure loan interest quickly—easily—accurately with DELBRIDGE Precision Interest Tables. Pre-calculated answers eliminate tiresome figuring...reduce errors to practically nil. Proven faster, more accurate than hand or machine figuring! Tables contain these outstanding features:

- Interest answers to 3 decimal places on principal amounts from \$1.00 to \$100,000.00.
- Interest rates from 1% to 5% in ½% steps; 5% to 10% in 1% intervals.
- Time periods from 1 to 180 days, then 6 to 12 months.
- New, steel-reinforced, leatherette binder.
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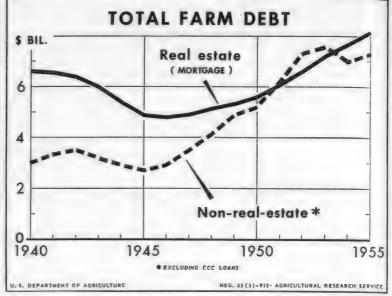
Tables also feature ordinary interest factors (360 days basis) and exact interest factors (365 days basis). Conversion chart changes ordinary interest to exact interest.

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Send the DELBRIDGE Precision Interest Tables and 7-Year Commerce & Finance Calendar, without obligation! We will approve your invoice for \$14.50 (plus postage) within 10 days, If we keep the tables and calendar.



## **News for Country Bankers**

(CONTINUED FROM PAGE 68)

"It is our feeling that agriculture specialists too often go unrecognized since the results of their skills and efforts are channeled into others.

"We feel that recognition of specialists would intensify their work . . . and increase agricultural production and marketing opportunities to promote Georgia agriculture and the general welfare."

## Surplus Solution Sought

Efforts to find a solution at the local level to the farm surplus problem has been initiated by the Commercial Savings Bank of Adrian, Mich., and representatives of farm agencies in Lenawee County, Mich.

Lenawee County is one of the first

five or six agricultural counties in the United States. P. T. Francoeur, agricultural lending officer of the Commercial Savings, is a leader in this movement and reports that at the meetings already held to study the plight of farmers and to devise a remedy for the surplus problem consideration has been given to the possibility of setting aside a percentage of tillable acres. Cover crops would be planted on the diverted acres and other soil conservation measures would be instituted.

The diverted acres would be kept under cover crops for two years at least, barring a national emergency. At the end of the two years these acres would be rotated with less productive acreage. Should the excessive surplus remain at the end of the first year, the percentage of retired

(CONTINUED ON PAGE 160)

Mrs. Stanley G. Harris, wife of the board chairman of the Harris Trust and Sav-



ings Bank of Chicago, receives a trophy for Kiekapoo Council Chief, international reserve grand champion Shorthorn bull, from W. Lyons Brown, vice-president, American Shorthorn Breeders' Association, Louisville, during ceremonies in Kenosha, Wisc. At right, the Harris' Farm Manager Raymon Duer and Board Chairman Harris

# Bank of America NATIONAL TRUST AND ASSOCIATION

Condensed Statement of Condition December 31, 1955

(Figures of Overseas Branches are as of December 23, 1955)

## RESOURCES

TOTAL RESOURCES									\$9,669,145,972.13
Accrued Interest and Other Resources	٠	٠		•	•	٠	•	•	55,926,652.94
Customers' Liability on Letters of Credit,									203,963,115.65
Bank Premises, Fixtures, etc	٠		•	•	•	•		•	87,145,920.50
Other Loans and Discounts		٠		•				٠	3,453,984,172.54
Loans Guaranteed or Insured by the United States Government or its Agencies .							٠		1,273,977,300.06
Other Securities		•	٠			٠	٠		111,779,432.42
State, County, and Municipal Securities									576,145,111.55
Federal Agency Securities								•	147,209,756.53
Guaranteed by the Government									2,149,433,488.43
United States Government Securities and									
Cash and Due from Banks									\$1,609,581,021.51

## LIABILITIES

Capital				\$	150	,000	0,00	00.	00		
Surplus					200	0,00	0,0	00.	00		
Undivided Profits and Reserves .	٠	•	•		135	,84	8,39	96.	30		
TOTAL CAPITAL FUNDS .									•	\$	485,848,396.30
Reserve for Possible Loan Losses											71,133,473.10
DEPOSITS Demand	•	•	•	\$4	4,577	7,79	9,2	40.	25)	8	3,802,506,128.21
(Savings and Time .	٠		•	4	4,224	1,70	6,8	87.	96)		
Liability for Letters of Credit, etc.				•							205,235,881.78
Reserve for Interest, Taxes, etc.	٠		•	•			•				104,422,092.74
TOTAL LIABILITIES										60	440 14E 072 12

Main Offices in the two Reserve Cities of California

### SAN FRANCISCO . LOS ANGELES

Branches throughout California

Overseas branches: London, Manila, Tokyo, Yokohama, Kobe, Osaka, Bangkok, Guam Member Federal Deposit Insurance Corporation . Member Federal Reserve System

## **Bank of America**

(International)

Y. Branches: Duesseldorf • Singapore • Paris A wholly-owned subsidiary Home Office-New York, N.Y.

Condensed Statement of Condition December 31, 1955

#### RESOURCES

			۰	٠	1,304,407.95
erest and	Othe	35			
iability o					78,746,526.53
Discounts		٠			76,970,419.74
ties .		٠			8,789,717.09
s Govern	ment				13,984,649.66
e from Ba	anks				\$ 54,261,259.17
	s Govern s ties .	s Government s ties	s Government s	s Government s	ties

### LIABILITIES

Capital \$10,000,000.00	
Surplus 4,000,000.00	
Undivided Profits . 708,686.09	
TOTAL CAPITAL FUNDS	\$ 14,708,686.09
Reserve for Possible Loan Losses .	1,117,093.13
Deposits	137,309,776.27
Liability for Letters of Credit, etc	79,697,301.81
Reserve for Interest, Taxes, etc	1,224,122.84
TOTAL LIABILITIES	\$234,056,980.14

(CONTINUED FROM PAGE 158)

acres would be increased. On the other hand, should the surplus be reduced, the percentage of diverted acres likewise would be reduced.

Other aspects of the proposed Lenawee County acre diversion plan are under study by Mr. Francoeur and his associates, which include representatives of the Extension Service and the ESC.

## **Timber Crop Booklet**

A 16-PAGE two-color booklet designed to answer many questions

from small landowners interested in growing timber as a crop, has just been published by American Forest Products Industries, Inc.

The booklet, This Is Tree Farming, is primarily aimed at the tree farm beginner. With photographs, sketches and words, the booklet tells what tree farming can mean to the landowner, how he may proceed to get his woodland under good management, and lists other steps required for recognition by the industry-sponsored American Tree Farm System.

Copies may be obtained without

cost from American Forest Products Industries, Inc., 1816 N Street. N.W., Washington 6, D. C.

## Farm Purchase Period Cut

THE period private lenders hold insured farm loans before the Government will purchase the note is being reduced from 10 to five years, the U.S. Department of Agriculture recently announced. The change is effective on all insured loans closed on or after January 2, 1956.

"We expect that this change will make insured loans more attractive to private lenders," said R. B. Mc-Leaish, Administrator of USDA's Farmers Home Administration, "and thus increase the funds farmers can borrow to buy and improve their farms, carry out soil conservation practices, and develop domestic and irrigation water systems.

"The change in the redemption period is a matter of contract between the Government and the lenders and does not affect the terms and conditions of the loans so far as the farmers who obtain insured loans are concerned." he said.

## **Dairying Developments**

DURING a panel discussion of "Current Developments in Dairying" at the recent National Agricultural Credit Conference of the A.B.A. in Chicago, Carl B. Bender, director of research in grassland farming, Sperry Rand Corp., spoke on forage practices.

"The potentials of grassland in this country are just beginning to be appreciated," he said. "Under improved grassland practices and feeding of dairy cattle, cows having a potential production of 10,000 pounds of milk a year could produce over 8,000 pounds of this milk from the forage crops alone — pasture, grass, silage, and hay."

Continuing, Mr. Bender said that "all dairy and livestock men can have the advantages of mechanization regardless of the size of their farms, either through custom work, purchase of used equipment, cooperative ownership or full ownership. Many farmers whose farms are too small to justify the purchase of pieces of equipment purchase them and pay for them by doing custom work."



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Union Bank & Trust Co. of Los Angeles welcomes the opportunity to discuss ways of putting Money Engineering to work for your bank and its customers.

...the dynamic science of making money work more efficiently in banking

..the turning of paper items into money by out-racing clock and calendar to create new working capital for your customers.

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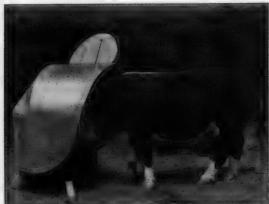


## Union Bank & Trust Co.

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Whirling Cattle Feeders. These feeders look like industrial ventilators. But actually, their purpose is to protect livestock mineral feeds (a flour-like substance) from wind and rain, yet keep the feed always accessible to the animal. The feeder is made from USS Steel Sheets.

Free Movies. Over a dozen motion pictures are available free from your nearest United States Steel Film Distribution Center. Any recognized group may borrow the films. Write for the free booklet that describes these films. Address United States Steel, 525 William Penn Place, Pittsburgh 30, Pa. Ask for booklet MP-125.

Our Newest Turnpike. Much of the new Ohio Turnpike is lined with USS Multisafty Cable Guard—a system of resilient steel cables that will give the best possible protection against off-theroad crashes. To provide skid resistance and smoother riding, as well as longer life for the pavement, the two ribbons of concrete are reinforced with USS American Welded Wire Fabric. And more than a million tons of USS Slag Aggregate, a product of U. S. Steel's blast furnaces, were used to make concrete for this 'pike.





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See the United States Steel Hour, It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.

# A Future in Banking

## Michigan Bankers and State University Cooperate in New Career Course

The Michigan Bankers Association has worked out a broad program for attracting more young men to banking careers.

MBA and Michigan State University are cooperating in two-year and four-year curricula in banking. The banks supplement the academic work at East Lansing by offering vacation jobs to the students and supplying banker speakers for special lectures.

Completion of the longer course at the University earns the degree of Bachelor in Business Administration; a certificate is awarded for the shorter program.

An interesting feature of this project, launched a few months ago, is the part the association's membership takes in the recruitment of potential employees. The banks are working at the local high school level to interest young folks and to steer them toward the course at MSU. Also, members are being urged to adjust their personnel policies to meet present day employment standards and the competition of industry for employees.

#### The Task Force

The program was set up after a long search for a means of attracting young people—especially college graduates—to bank jobs. Its beginnings go back to 1948, although no definite action was taken until the autumn of 1952 when B. P. Sherwood, Jr., then head of the MBA, and president of the Grand Haven State Bank, appointed a Special Committee on Education.

This task force has worked under the chairmanship of Fred B. Post, president of the First Security Bank, Ionia, and a member of the A.B.A. Country Bank Operations Commission. Other members are: Mr. Sherwood; C. Lincoln Linderholm, president, Central Bank, Grand Rapids; Arthur Greiner, assistant vice-president, National Bank of Detroit; and Milton Bell, assistant cashier, The Detroit Bank.

The program was undertaken, Mr. Post tells Banking, because the Michigan bankers had become increasingly aware that "some definite step had to be taken to attract college students because of their apparent lack of interest in banking careers."

In developing its plan the committee did considerable research into the reasons for this situation. It found that banks were doing a rather poor job of selling the career possibilities of their business: limited promotional material was available and there were but meager efforts to attract the young people.

"Many colleges were visited for a discussion of our program," says Mr. Post. "At many we were ad-

A page of the MBA-MSU brochure about the new course

### Your Future

in Banking....

In response to a demand for well-trained people in the handware proteins. Methylan State University, in cooperation with the Michigan Banker. A mosttion, is reducating young men and women for cureers in banking. The purpose of this booklet in to tell you about banking and courses of study available in this important and vital field.

Everyone is more directly concerned with banking in his daily life than is ordinarily realized. Banks keep the wheels of industry tursing, the resulting goods moving to their logical destructions, and payroll dollars circulating.

What is banking ...?

Many people think of banking as an occupiation dealing essentially with facts and figures. In much, it is a preferense dealing primarily with people. It offers a multitude of services to individuals and business units. Bendes after guarding funds for people and providing them with a convenient means of transferring money. a bank facilitate business operations of every description by extending credit to consumers as well as to producers and distributors.

Because the bank and its services are an integral part of our everyday life, the banking profession is one-that offers on exceptional challenge, and many unique compensations, if you are considering a choice among career opportunities. vised that a system of 'colonization' (bird-dogging) would have to be developed in banking areas where the prospective student and employee would be sold on the program prior to going to college. Again, we were told that poor publicity was the cause of the ebbing interest in bank employment. Indeed, one institution had terminated its banking course for lack of interest.

#### **Management Reserves?**

"Meantime, a questionnaire was submitted to the MBA membership asking about the proposed program, and also whether the banks had 'management reserves.' On the basis of replies received, 60% had none—although it should be said that this situation applied largely to the smaller banks. The suggested program of student recruitment and training was well received.

"It was evident to the committee that considerable work had to be done to place banking in a competitive position with industry. For two years this problem was discussed at our group meetings, study conferences, and the association's annual meeting. Much progress has been made in the direction of fringe benefits, better pay, promotion schedules.

#### The Arrangement with MSU

"Early in 1955 an arrangement was worked out with Michigan State, which met the objectives of the committee and the approval of the association."

"The success of the school will depend upon the efforts of the bankers in counseling and interviewing prospective students in their home towns, and of the University in coordinating the efforts of everybody."

(CONTINUED ON PAGE 164)



You're looking at *the* new way to speed window service, eliminate errors, save hours of teller time. Here's why: a single Burroughs Teller's Machine provides *all* the features necessary to do these transactions mechanically—

- Receipting
- Validating
- Cash Control
- Miscellaneous Adding or Deposit Accumulation

But you'll want to hear all the news—actually see these new complete-job teller's machines in action. So call our nearest branch office right away for an on-the-spot demonstration of any of 5 moderately priced models. Or write directly to Burroughs Corporation, Detroit 32, Michigan.

Wherever There's Banking There's



e n n, s (CONTINUED FROM PAGE 162)

After the opening of the fall term in 1955 MSU and MBA published an attractive brochure, "Your Future in Banking," which announced the new curriculum, listed the courses, and answered such questions as "What is Banking," "What are the specializations?," "What is the demand for qualified people?," and "What does MSU offer?"

Commenting on what banking offers, the pamphlet says that in no other industry are there "such opportunities for continuing growth."

The Michigan bankers hope that business administration students who have completed their basic courses at State and are ready for specialization, will be attracted to the program.

"Certainly," Mr. Post comments, "the future offers excellent opportunities for able young men of vision, judgment, and imagination in the fields of finance and banking."

#### The Curriculum

Required courses in first and second years include: Communication skills, Natural and Social Science; Introduction to Business; Geography for Business; Accounting; Economics; Business and Economic History.

In the third year the curriculum becomes more specialized: Principles of Management, Business Statistics, Business Speaking, Intermediate Accounting, Financial Administration, Money, Credit and Banking; Financial Institutions, Federal Income Tax Accounting.

Senior courses include Business Law, Private Enterprise and Public Policy, Principles of Marketing, Bank Operation, Business Policy, Investments and Security Markets, Office Management.

#### The Electives

Electives for both the two- and four-year curricula are: Monetary Theory, Business Cycles, The National Income; State and Local Finance; Salesmanship Principles and Practices; Small Business Problems; Credit and Collections; Public Relations in Business Administration; Cost Accounting; Field Work in Public Accounting; Advanced Accounting; Internal Auditing; General Psychology; Psychology of Business and Personnel; Psychology of



"He's got the stock page now! If his face lights up, we'll hit him for a chocolate soda, If it frowns, no use!"

Human Relations in Industry; Introduction to Advertising.

Somewhat extra-curricular are the vacation jobs for which students will receive academic credit, and the students' Banking Club which representatives of banks and banking organizations will be invited to address.

There are also plans for association scholarships to attract and aid promising students.

Serving banks and bankers at home and abroad

#### CONDENSED STATEMENT OF CONDITION AS OF DECEMBER 31, 1955

#### Resources

Cash on Hand and on deposit with Federal Reserve Bank and Other Banks	\$ 83.721.062.16
United States Government Securities	
Other Bonds and Securities	
Stock in Federal Reserve Bank	
Loans and Discounts	87,814,632.10
Bank Buildings (11) and Equipment	2,186,035.85
<b>Customers' Liability Account Letters of</b>	
Credit and Acceptances	462,099.66
Accrued Interest Receivable and Other Resources.	1,208,261.57
	\$325 203 662 73

#### Liabilities

2.40,,,,,	
Capital Stock	. \$ 4,000,000.00
Surplus	. 9,000,000.00
Undivided Profits	. 3,520,164.58
Reserves for Taxes, Interest, Etc	. 1,895,734.12
Letters of Credit and Acceptances Outstanding.	. 462,099.66
Interest Collected but Not Earned	. 1,602,695.50
Deposits	. 304,722,968.87
	\$325,203,662.73

AMERICAN FLETCHER
NATIONAL BANK AND TRUST COMPANY

"helpful to you"

MEMBER OF FEDERAL DEPOSIT INSURANCE CORPORATION Society FOR SAVINGS
IN THE CITY OF CLEVELAND

ANNOUNCES THE FORMATION AND OPENING FOR BUSINESS ON JANUARY 16, 1956 OF

Society NATIONAL BANK OF CLEVELAND

TO PROVIDE COMMERCIAL BANKING SERVICES

MAIN OFFICE

127 Public Square Cleveland 14, Ohio

## 9 CONVENIENT LOCATIONS THROUGHOUT GREATER CLEVELAND

Society FOR SAVINGS WILL CONTINUE TO PROVIDE SAVINGS ACCOUNT SERVICE AND MANY OTHER FINANCIAL SERVICES.

Society NATIONAL BANK IS A MEMBER OF THE FEDERAL RESERVE SYSTEM AND FEDERAL DEPOSIT INSURANCE CORPORATION

## Main Street

(CONTINUED FROM PAGE 32)

Trust Company. He will head the corporate trust department upon retirement of H. J. MILLER, vice-president.

FIRST AMERICAN NATIONAL BANK, Nashville, Tenn., has opened its 15th office and has a permit to establish its 16th.

During 1955, 5,578 high school and upper grammar school students toured the TOLEDO (Ohio) TRUST COMPANY, 7,585 heard the talk "Your Community Bank," and 5,026 saw the film "Back of Every Promise."

ESTEBAN A. BIRD, executive vicepresident of Banco Credito y Ahorro Ponceno, Ponce, Puerto Rico, is new president of the Puerto Rico Bankers Association.

Wells Fargo Bank, San Francisco, announced these promotions: ALBERT J. CALLAHAN, FRED B. HACK, and R. J. SCHRADER, vice-president and trust officer.

W. H. LEATHERWOOD, vice-president, was named head of the correspondent bank department of First National Bank in Dallas. He succeeds Walter W. Schroeder, who resigned to become president of the First National Bank of Lafayette, La.

GEORGE H. MCCLURE, president of the Bank of Chicago, has been elected to the board of directors of the Fidelity Life Association.

Senior Vice-president Edward C. Brown was elected to the new office of executive vice-president of the First National Bank of Saint Paul, Minn. Rodney Q. Selby was named a vice-president, and the retirement was announced of senior vice-president N. Paul Delander.

The Jenkintown (Pa.) Bank & Trust Co., in cooperation with the Reading Company, is planning to open the first suburban railroad station commuters' branch in the Greater Philadelphia area if approval is granted by the bank's stockholders and banking authorities.

WILLIAM D. IRELAND, president of The Second Bank-State Street Trust Company, Boston, has been selected by the board of directors of the Federal Reserve Bank of Boston to serve during 1956 as the member of the Federal Advisory Council from the First Federal Reserve District.

CHARLES W. MILLER has joined the staff of Valley National Bank, Phoenix, Ariz., as statistician in the bank's research department headed by Vice-president HERBERT A. LEGGETT. MR. MILLER was formerly Maricopa County finance director.

L. W. RANDAHL was promoted to vice-president and cashier of First

Robbinsdale State Bank, Robbinsdale, Minn. ROBERT ECKBERG was elected assistant cashier.

EDWARD R. McAuliffe advanced to executive vice-president of the Bay Ridge Savings Bank, Brooklyn, N. Y.

A. M. STRONG, vice-president of the American National Bank and Trust Company, Chicago, retired at the year end and has established an international business consulting service. He will continue to act as a consultant to the bank.

Crocker First National Bank and Anglo California National Bank, both of San Francisco, have tentative approval of the Comptroller for their proposed merger. The stockholders will vote on the plan in early February. The consolidation institution, to be named the CROCKERANGLO NATIONAL BANK, would have assets of approximately \$1½-billion.

ADAM UETZEL, formerly a national bank examiner in the Second Federal Reserve District, has joined Security National Bank, Huntington, N. Y., as a vice-president. FRANK B. POWELL was promoted to vice-president and comptroller.

These men were promoted to vicepresidents at The Second National Bank of Houston, Texas: Carl G. Phillips, real estate loans; Peter G. Brooks and Byron R. Smith, Jr., public relations; Edward W. Gardiner, transit; Elton W. Grant, bookkeeping; and Robert Stewart, investment.

Organization has been completed for the new Montrose National Bank in the southwest business area of Houston. The bank is to open about May 1 in the Southern States Life Building. It is capitalized at \$1,000,000. President and board chairman is L. E. COWLING, who is also president and chairman of the Southern States Life Insurance Company. George R. Traylor is executive vice-president and cashier; JOSEPH N. MULLAN and M. H. SORRELL are vice-presidents.

JEFFERSON - GRAVOIS BANK, St. Louis, has announced plans for the construction of a large annex to house motor banking and walk-up facilities.

New clock sign of Colonial-American National Bank, Roanoke, Va., is bigger that it looks here—over-all length, 86 feet; over-all height, 46 feet; clock face is 14 feet in diameter; weight, five tons





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# His calling card had claws on it



LUTHER KELLY lied about his age and got into the army at 15. They sent him West in 1865, and he stayed.

He liked the wilderness. Game abounded. In Trappers' Lake, "trout were so thick they obscured the bottom."

Hostile Indians were also pretty thick. But when two tried ambushing him, he killed both with his Henry .44.

He learned Sioux and sign language.

One day, he visited General Miles, sending a huge fierce-clawed bear's paw to Miles as his calling card. Miles made him chief scout against the Sioux.

But by 1885, the country was taming down, and Yellowstone Kelly left it.

Two decades later, Teddy Roosevelt praised the heroic treasurer of Surigao in the Philippines who saved the town from outlaws. Name: Luther S. Kelly.

Yellowstone Kelly's body now rests at Kelly Mountain in Montana. But his restless, pioneering spirit lives on in the heart of today's America. For it is the trail-blazing courage of 165 million people that makes America great, and that provides the real strength behind one of the world's finest investments: our country's Savings Bonds.

Why not guard your security with this strength? Invest in U.S. Series E Savings Bonds. And hold on to them!

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... Harry E. Rogier

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Table II  Number of Trust Institutions Reporting	Number of Trusts in State Reported	Percent of all Trusts in State in Income Group		Average Income in Group		
		Under \$3,000	Under \$1,200	Under \$3,000	Under \$1,200	
Alabama	11	676	64.3	38.0	1.056	486
Arizona	2	217	59.0	32.7	1.201	520
Arkansas	7	212	63.2	43.9	914	398
California	23	12,473	59.8	35.6	1,186	558
Colorado	12	1,249	64.5	38.2	1,128	522
Connecticut	29	2,837	66.0	44.1	966	465
Delaware	8	3,128	52.4	34.1	1,021	463
Dist. of Columbia	4	1,714	62.4	37.7	1,085	539
Florida	12	784	66.2	41.6	985	374
Georgia	8	1,285	63.5	40.2	1,008	430
Idaho	2	104	79.8	67.3	604	332
Illinois	32	6,820	51.5	30.7	1.148	494
Indiana	39	1,957	69.7	52.1	749	332
Iowa	25	584 421	72.1	54.6	754	358
Kentucky	12	599	74.9	53.5	796 1.026	329
Louisiana	7 8	391	66.0 89.3	43.1 58.6	1,111	528
Maine	19	723	78.5	55.3	840	513 380
Maryland	11	721	62.5	39.3	1.034	445
Massachusetts	. 47	11.447	55.9	30.7	1.205	544
Michigan	12	1.759	57.8	40.3	965	495
Minnesota	5	2,629	62.0	38.3	1.069	481
Mississippi	7	246	74.8	57.3	727	363
Missouri	16	3,221	57.2	85.8	1.064	493
Montana	6	123	74.8	54.5	929	434
Nebraska	3	509	67.0	45.0	945	453
Nevada	1	100	47.0	30.0	1,002	366
New Hampshire	11	331	68.6	45.0	1,046	490
New Jersey	58	5,232	70.5	50.4	818	334
New Mexico	2	96	63.5	36.4	1,124	568
New York	119	40,140	59.1	37.4	1,018	452
North Carolina North Dakota	19	2,091	67.5	47.8	• 876	429
Ohio	3 30	9,479	73.0	55.4 30.2	896	529
Oklahoma	7	376	52.3 58.0	42.0	1,130	475
Oregon	3	874	66.0	42.0	1.034	523
Pennsylvania	109	33,330	76.9	61.1	642	288
Rhode Island	2	1.682	52.9	29.2	1.189	510
South Carolina	9	778	72.8	47.1	987	462
South Dakota	6	228	77.7	60.1	692	327
Tennessee	10	870	66.9	45.2	948	447
Texas	24	2,468	55.5	35.7	1.013	440
Utah	4	466	80.9	57.9	882	436
Vermont	9	187	87.2	74.4	479	230
Virginia	33	2.469	73.5	53.0	838	405
Washington	9	1,676	64.7	42.5	932	457
West Virginia	6	578	75.3	54.2	799	361
Wisconsin	19	1,154	82.8	62.6	749	360
Wyoming	2	72	79.2	62.5	841	560
NAT. AVERAGE						-

## Size of Trusts

(CONTINUED FROM PAGE 56)

creased to 161,591 in the current survey, or a gain of 5.2% over 1941 and of 12.2% over 1946.

Since the 1941 survey, the income group percentages have been shifting generally to a higher bracket, in keeping with the general economic condition of the country and the inflationary spiral during the same period. In 1941, 58.7% of all trusts reported produced less than \$1,200 per year. By 1946, the percentage had dropped to 54%, and by 1955 to 42.9%. The under-\$3,000 group also dropped, from 76.6% to 73.5%, and now to 63.7%.

The other groups have shown increases in percentage points. In the \$3,001 to \$7,000 group, the percentage of trusts in the group increased from 12.2% in 1941 to 13.9% in 1946 and to 17.6% in 1955. The other groups have made comparable advances as follows: \$7,001 to \$10,000, 3.6%, 4%, and 5.7%; \$10,001 to \$25,000, 5.1%, 5.9%, and 8.6%; over \$25,000, 2.6%, 2.8%, and 4.4%.

All trusts with over \$3,000 income have increased from 23.4% in 1941 to 26.5% in 1946, and to 36.3% in 1955.

It should be noted that, while the trusts have made these increases in income, the national personal income figures increased 298.8% in the years 1941-1954, according to the United States Department of Commerce's Survey of Current Business, July 1955, p. 11.





Cox

Feb

## How Citizens Bank of Riverside, Calif. Saves on Printing Costs LANDLORD SHARE and LIEN WAIVER 10: CITIZENS MATIONAL BANK The New Hemet Office at REAL ESTATE LOAN APPLICATION Citizens Nettenal Trust and Savings Bank at Riverside, California ari-Typer provides changeable print-style type EMPLOYEE TIME CARD for all duplicating and printing needs The Citizens National Trust and Savings Bank of Riverside, California uses the Vari-Typer for the production of its wide array of REAL ESTATE APPRAISAL forms, booklets, bulletins, etc. - a versatile, economical and time-National Trust & Savings Bank saving method. The Vari-Typer is operated by an office typist, and provides all the reading matter in a variety of popular faces and sizes RECORD OF CAR STORED OR REPOSSESSED of professional print-style types. Changes in type styles or sizes are made in seconds, selecting any one of hundreds available—to suit the particular job in both design and space. Copy is automatically squared up and spaced out while the typist operates the machine in regular typewriter fashion. The Vari-Typer produces the 'masters' for each individual form, bulletin or booklet. Reproductions are then made on an office duplicator-in the quantity desired, and, as needed. Applying the same simple method to your own printing and duplicating problems, HOW MUCH COULD YOU SAVE? We'll be glad to tell you-the coupon will bring the details. RALPH C. COXHEAD CORPORATION 720 FRELINGHUYSEN AVENUE . NEWARK 5, NEW JERSEY Please send me VARI-TYPER Booklet C-59 Body copy by NAME..... VARI-TYPER. COMPANY..... Hends photocomposed on the ADDRESS..... Coxhead-Liner, CITY ......ZONE .... STATE ..... February 1956 169

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## **New Books**

WORLD COMMERCE AND GOVERN-MENTS. By W. S. Woytinsky and E. S. Woytinsky. The Twentieth Century Fund, New York. 907 pp. \$10. This companion volume to the Fund's "World Population and Production" (1953) outlines the current changes in commerce, transportation, and the political and financial organization of nations in the present era. Part I describes trade in the world economy: nature, value and volume of exports and imports: tariffs, agreements, payments and exports. In Part II, national and international transportation is examined. The world's governments are analyzed in Part III. Mrs. Esther Persson, now of BANKING's staff, and previously with the Fund, was chiefly responsible for the editing, and prepared the manuscript for the printer.

How to Save \$7.5 Billion a Year. Human Events, Washington, D. C. 93 pp. \$2. This is a condensation of the Hoover Commission Reports on organization of the Government's Executive Branch. The editor is Frank C. Hanigen. Savings realizable from the Commission's recommendations would be enough, it's estimated, to cut every taxpayer's personal income tax by 25%. The condensation uses the Commission's own words to the greatest extent possible.

Corns. Audit Kit. By Marshall C. Corns. Bankers Publishing Co., Boston. \$12.50. Forms, tally sheets, schedules, statement of condition, tellers detail sheets and the other tools for use in making an audit.

CONSUMER INSTALLMENT LOAN LOSSES AND VALUATION RESERVES. By James P. Winchester. Bankers Publishing Co., Cambridge, Mass. 106 pp. \$5. A study by the vicepresident of the Norfolk Trust Company, Brookline, Mass., covering person, auto, appliance and home improvement loans. Loss records are computed yearly since 1929. The practice of commercial companies and banks in establishing valuation reserves to protect capital assets are reported: so are recommended loss valuation reserve formulas for the four main types of instalment loans.



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## Statement of Condition

December 31, 1955

#### RESOURCES

Cash on Hand and in Banks \$	251,557,411.23
U. S. Government Obligations	410,515,882.61
State, County, and Municipal Bonds	68,908,440.60
Other Bonds and Securities	23,397,977.13
Stock in Federal Reserve Bank	2,400,000.00
Loans and Discounts	756,924,632.51
Bank Premises and Equipment	13,137,121.17
Other Real Estate	1.00

Customers' Liability under Acceptances 4,613,691.64
Accrued Interest Receivable and
Other Assets 10,355,841.31

Total Resources \$1,541,810,999.20

#### LIABILITIES

BIHDIE	
Deposits	\$1,409,840,840.94
Acceptances Outstanding	4,670,569.64
Reserve for Unearned Discount	11,457,920.12
Reserve for Interest, Taxes, etc.	12,622,784.89
Other Liabilities	2,903,951.02
Capital Funds:	

Capital Stock \$27,812,500.00

(\$10.00 par value) Surplus 52,187,500.00

Undivided Profits 20,314,932.59
Total Liabilities

\$1,541,810,999.20

100,314,932.59

United States Government and other securities carried at \$143,387,467.06 are pledged to secure U. S. Government Deposits, other public funds, trust deposits, and for other purposes as required or permitted by law.

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# IDEAS for READERS

## A special service of BANKING'S Readers' Information Bureau

If you have a problem in administration or operation which you feel equipment or revised planning might help you solve, or if you wish more information on the products described here, write to Readers' Information Bureau, Banking, 38 S. Dearborn St., Chicago 3, Ill.

## Small Telephone Amplifier

A 3-ounce amplifier, using dimesized batteries and clipping over any style telephone receiver, is a new product. For use in noisy locations or to aid the hard-of-hearing, the amplifier will also boost long distance volume and improve rural telephone connections.

Volume is adjusted while in use and device shuts off automatically when removed from telephone. Also equipped with "off" switch to save battery drain if amplifier is left on telephone.

Manufactured by: Remler Co., San Francisco, Calif.

## **Automatic Card Seating**

Featuring automatic card seating on a nonslip nylon velour finish base and a new indexing principle, the new line of Vue-Fax Vertical Visible Filing Systems is now available.

With lucite roller bearings on divisional guides to reduce friction, the equipment is said to provide faster filing of ledger cards at less

Manufactured by: Vue-Fax Corp., Westbury, N. Y.

Vue-Fax visible file



## Tele-Prompter for Speakers

The TelExecutive, a portable version of the Tele-Prompter used extensively in television and motion pictures, is a recent Underwood product.

The TelExecutive relieves public speakers of the necessity for memorizing talks and presentations. The unit is designed to make it applicable to all speaking conditions. Covered with cowhide, the TelExecutive measures  $11\frac{1}{2}$ " by  $8\frac{1}{2}$ " by  $5\frac{1}{2}$ " and may be used on the speaker's desk or any rostrum.

It is equipped with a palm-sized hand control to regulate speed or stop and start script, which moves below illuminated glass. A 3/8" type



TelExecutive and its case

for use with the device can be had on a special Underwood typewriter. Each script spool holds more than one hour's speech material.

Manufactured by: Underwood Corp., 1 Park Ave., New York 16.

## Offset Duplicating

An offset duplicating machine, incorporating features designed to simplify production of linework and photographic copy, was announced recently by A. B. Dick Co.

A control device for maintaining the balance between ink and fountain solution is said to make operation easy for inexperienced person-



Offset duplicating machine

nel. Self-adjusting cylinders; a universal clamp that accommodates slotted, serrated and straight edge masters; a feed table of 10-ream capacity; and crank-operated front guide rails are among the other features.

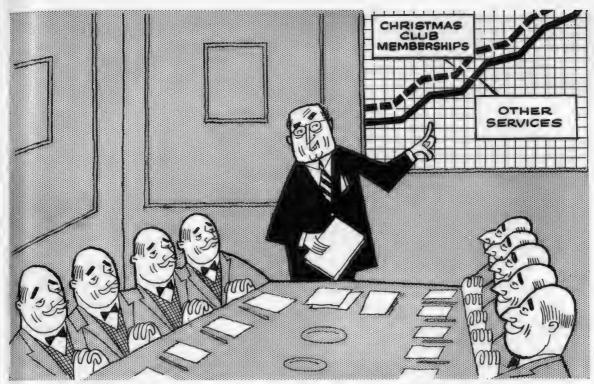
Product of: A. B. Dick Co., 5700 W. Touhy Ave., Chicago.

## Mailing Center

A "package" mailing center, developed especially for small banks and business offices, is now on the market. A postage meter that is slightly larger than a telephone, a 16-oz. computing mailing scale, postal rate and information chart and map, and the user's choice of a postmark advertising plate comprise the center.

Provides all advantages of metered mail and speeds up mail handling. Dial operated, the meter prints postage of any amount with dated postmark and, optionally, the user's own advertising message.

Manufactured by: Pitney-Bowes, Inc., Stamford, Conn.



"Well, yes, gentlemen, there does seem to be some relationship between our rising Christmas Club membership and the demand for our other services."



"... and you say you got your start with a Christmas Club account?"

Your Christmas Club man can show you how to increase demand for *all* your services. Drop us a line and we'll rush him along. No obligation.

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February 1956

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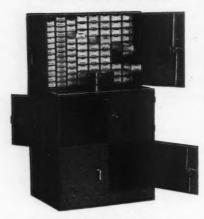
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No one system works best in every bank. Heat loads and glass areas vary from bank to bank. So do number of occupants, floor areas, taxes, depreciation, operating costs and a host of other factors. That's why York carefully selects and then precision engineers each Yorkaire System to fit the particular building in which it is to be installed.

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HEADQUARTERS FOR MECHANICAL COOLING SINCE 1885

# The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 37)

ther gains are not expected to be derived from residential construction, although the latter is likely to remain close to the record level of last year. The greatest activity is anticipated in commercial, industrial, and public construction.

## Competition in Lending

The respondents believe that generally commercial banks are not losing any significant amount of loans to competitors. However, some term loans, including some finance company borrowings, have been refunded by insurance companies. Sales finance companies have participated more heavily than banks in the expansion of instalment credit. Some loans in soft goods lines have been taken over by factors or finance companies. On the other hand, banks have been able to finance public agencies that are awaiting more favorable conditions in the money market to issue bonds.

#### Credit Problems

Responding bankers have expressed the view that banks are exercising greater selectivity in the extension of credit than a year ago.

No serious credit problems have appeared, although several bankers have indicated that on certain types of loans more time is being devoted to servicing in order to prevent credit problems from developing. Those mentioned were consumer credit loans, construction loans for speculative builders, small business loans where the company is undercapitalized or does not have adequate management, and automobile and appliance dealer loans.

#### Interest Rates

It is generally felt that interest rates will hold firm. Some further modest increase might be expected as long as the present Federal Reserve policy of credit restraint is maintained.

Speaking to the National Credit Conference in Chicago recently, Mr. Moore supplemented the foregoing report with this summary of the credit situation:

"1. Our demand deposits are lower than we anticipated, and savings deposits are lagging. Because of the higher short-term rates, some depositors are seeking the relatively attractive yields available from the investment of short-term funds at the expense of deposits. We feel that some corporate financial officers are being shortsighted when they cut their balances in this manner too closely.

"2. Our loans are up to new high levels due to expanding borrowings by consumers, home builders, and businessmen, and the demand which usually accompanies an upward business cycle such as we are going through. While some seasonal decline would seem to be due here, the extent of our own forward commitments makes me question the extent of the relief we will get from this source.

"3. There is no present basis for expecting any early relaxation of Federal Reserve policy.

"4. With many banks already near or approaching their policy loan limits, the lending pressure on other banks is augmented by old customers seeking to give them a larger share of borrowings or new customers seeking credit not available through previous borrowing connections.

"5. Bank liquid reserves are lower than normal Bond prices are down; and with our bond accounts moderately in the red, our willingness to augment our liquid reserves through sales is restricted. For this reason, most of us have been borrowing from the Federal Reserve bank more frequently than for a good many years."

### **Future Problems**

In the same Chicago talk Mr. Moore presented a few of the open questions and problems which he said came to his mind as a credit officer viewing the future:

"1. Number one is the forward business pattern in the impact it will obviously have on what we are doing creditwise. There have been revolutionary changes in the types of loans we are making and our lending techniques in the past 25 years. More than half of my own bank's loans are of a type we did not make 25 years ago; and to add to the problem, over half of them are to new customers or new industries as the result of turnover and change and growth in this same period. About one-fourth of our own loans are for terms longer than one year, which involves our necessarily having to make a longer and more important bet on management, competitive position, and operating results than was ever the case before. The probability of error is greater today than it used to be.

"2. The more or less uninterrupted expansion since the war has covered up many weaknesses. The aging factor alone during a relatively problemless period has brought many management teams to the top without adequate testing. This applies to us bankers as well as to our customers.

"3. Great changes are occurring in the market place, and new advertising and distribution techniques are causing shifts in public acceptance. Wide variation in the costs of production have been concealed by a sellers' market, in many lines. These will come to the top when supply exceeds demand, as it inevitably will somewhere in the cycle. Some of our customers are tending to spread out in many disconnected and unrelated directions in the name of diversification. This could lead to the cumulative weakness of multiple problems instead of the strength the word 'diversification' might suggest.

"4. We bankers have a major public relations problem in 1956. We are at the unhappy point where restrictive credit policies meet the borrower. It is a political year. From where I sit, I see a pretty good cross section of the national credit picture; and I can say positively that I know of no essential or constructive creditworthy loan requests which are not being taken care of by the banking system. The soundness of our policies will be tested by the way we direct our restricted lending power and the way we measure the risks we take on our capital and money positions. These decisions will have to stand the test of hindsight."

WILLIAM R. KUHNS

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